



County of Los Angeles
CHIEF EXECUTIVE OFFICE

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WILLIAM T FUJIOKA
Chief Executive Officer

March 17, 2011

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Don Knabe

From: William T Fujioka
Chief Executive Officer

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

WORKFORCE HOUSING

On May 18, 2010, your Board directed my office, in conjunction with the Chief Probation Officer, Sheriff, and Interim Director of Health Services, to conduct a study on the feasibility of developing the Athens Sheriff's Station and the Martin Luther King, Jr. Medical Center campus sites with workforce housing.

In response to your Board's direction, we negotiated and executed a real estate consultant contract with Allan Kotin and Associates (Kotin) to complete a feasibility assessment of this concept and to provide a proposal on the level and type of development that is physically, legally, and financially viable, and the extent to which such a development could meet the housing needs of the County workforce at the two sites specified by your Board.

The final study has been completed by Kotin and is attached for your information.

Should you have any questions regarding this matter, your staff may contact Jan Takata at (213) 974-1360.

WTF:RLR
DJT:CWW:zu

Attachments

c: Executive Office, Board of Supervisors
County Counsel

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"To Enrich Lives Through Effective And Caring Service"

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Employer Assisted Workforce Housing Project—Financial Projections

Prepared by READI, LLC

1. Willowbrook MLK/MACC Site
2. Athens Sheriff Station Site

Provided as supplemental information and detailed calculations for “Attachment D: Feasibility Analysis of Workforce Ownership Housing for Middle-Income Los Angeles County Employees” from the study *Feasibility of County Workforce Housing at Athens Sheriff Station and MLC/MACC County Health Facility*, prepared by Allan D. Kotin & Associates in association with READI, LLC, and URBAN STUDIO, December 2010, for Dan Rosenfeld of the Los Angeles County 2nd Supervisorial District, and Jan Takata and Chuck West of the Los Angeles County CEO Office

A Proposed Conceptual Employer-Assisted Workforce Housing Community for the County of Los Angeles at the **Willowbrook MLK/MACC** Campus Located in Willowbrook at SWC of Wilmington & 120th St.

Willowbrook Site: Summary of Illustrative Financial Projections for the County Special Purpose Entity (SPE) as Land Owner

Site: 1.7 acres / 73,654 Land SF
Yield / Product Type: 51 townhomes
Units Size Range (Living Area): 930 - 1,605 SF
Assumed Post-Recovery Sales Price Range (2010 \$'s): \$270,000 - \$330,000 (base price of \$227 / SF)
Projected Unit Closings for this run: Dec. 2013 - Jan. 2014 (Illustrative time line subject to general economic recovery)

	Sensitivity Analysis							
	Optimistic Case:							
	Vertical				Impact of			
	Optimistic Case:				Construction Cost			
	Sales Prices Set				Set for Break-			
	for Break-Even				Even			
	Development				Development			
	Cash Flow				Cash Flow			
	Analytical Base Case				Prevailing Wage on Development			
	Case				Cash Flow			
<u>Independent variables</u>								
Base Sales Price / SF w/out options & premiums (2010 \$'s)	\$227			\$248			\$227	
Base SP w/out options & premiums (2010 \$'s) Wgtd Avg.	\$306,000			\$334,000			\$306,000	
Increase to Base Sales Price	\$0	0%		\$28,000	9%		\$0	0%
Base Vertical Construction Cost per SF	\$99			\$99			\$87	
Potential Decrease to Vertical Construction Cost / SF	\$0	0%		\$0	0%		\$-12	-12%
Prevailing Wage Add-On	\$1.8	mil.		\$1.8	mil.		\$1.6	mil.
							\$0.0	mil.
<u>Dependent variables</u>								
Financial Projections (adjusted for expected long term inflation/appreciation)								
Gross Sales Revenue from Initial Sales Round	\$18.9	mil.		\$20.6	mil.		\$18.9	mil.
Net Cash Flow from Initial Project Development	\$-1.2	mil.		\$0.2	mil.		\$0.2	mil.
Transfer Fees and Shared Appreciation from Resales (*)	6.8	mil.		7.4	mil.		6.8	mil.
Net Cash Flow from Property Management (*)	-3.7	mil.		-3.9	mil.		-3.7	mil.
LA Co. / SPE 30-year cash flow & residual land value (*)	\$1.8	mil.		\$3.8	mil.		\$3.2	mil.
\$ per land SF	\$1.06			\$2.25			\$1.89	
Net Present Value @ 6.0%	\$0.0	mil.		\$1.2	mil.		\$1.0	mil.
\$ per land SF	\$0.00			\$0.71			\$0.59	

(*) A 30-year projection period was used for illustration. The project will continue to generate income for LA Co. / SPE beyond that point

<u>Contents:</u>	<u>page</u>
Financial Projections Summary	1
SPE - 30-year Summary Cash Flow Projections	2
Project Development Quarterly Cash Flow	3-5
Static Proforma and Assumptions	6
Assumptions Detail	7-10
HCD Income Limits & Affordability Calculations	11

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Life-of-Project															
Total	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025

LA Co. / SPE 30-YEAR CASH FLOW (*)**SOURCES OF FUNDS (\$000)**

Project Development Net Cash Flow	\$ (1,210)	\$ -	\$ -	\$ -	\$ (1,210)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Homeowners Maintenance Fees	2,180	-	-	-	47	50	51	53	54	56	58	59	61	63	65
Resales Transfer Fees and Shared Appreciation	6,799	-	-	-	-	-	83	150	162	175	189	198	204	210	216
Total Sources	7,770	-	-	-	(1,163)	50	134	203	217	231	246	257	265	273	281

USES OF FUNDS (\$000)

Community Management, Repairs & Maintenance	4,753	-	-	-	106	108	111	115	118	122	125	129	133	137	141
Transfer Fees	1,173	-	-	-	-	-	17	30	31	32	33	34	35	36	37
Total Uses	5,927	-	-	-	106	108	129	145	149	154	158	163	168	173	178

30-YEAR LA Co. / SPE CASH FLOW	\$ 1,843	\$ -	\$ -	\$ -	\$ (1,269)	\$ (59)	\$ 5	\$ 58	\$ 68	\$ 78	\$ 88	\$ 94	\$ 97	\$ 100	\$ 103
CUMULATIVE LA Co. / SPE CASH FLOW	\$ -	\$ -	\$ -	\$ -	\$ (1,269)	\$ (1,327)	\$ (1,322)	\$ (1,264)	\$ (1,197)	\$ (1,119)	\$ (1,031)	\$ (937)	\$ (840)	\$ (740)	\$ (637)
Net Present Value @ 6.0% (**)	\$ (49)														

(*) Displaying only 2011-2025

(**) Assumed effective LA Co. cost of capital

serial mon	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Life-of-Proje	2011	2011	2011	2011	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014
Total														

PROJECT DEVELOPMENT CASH FLOW**ABSORPTION AND INVENTORY PROJECTIONS**

Projected Absorption and Production:

Sales	51	-	-	-	-	-	-	-	10	30	11	-	-	-	-
Total / Cum Sales	51	-	-	-	-	-	-	-	10	40	51	-	-	-	-
Foundation Starts	51	-	-	-	-	-	-	-	51	-	-	-	-	-	-
Total / Cum Foundation Starts	51	-	-	-	-	-	-	-	51	-	-	-	-	-	-
Completions	51	-	-	-	-	-	-	-	-	-	-	-	51	-	-
Total / Cum Completions	51	-	-	-	-	-	-	-	-	-	-	-	51	-	-
Closings	51	-	-	-	-	-	-	-	-	-	-	-	30	21	-
Total / Cum Closings	51	-	-	-	-	-	-	-	-	-	-	-	30	51	-
Projected End-of-Period Backlog & Work-in-Process															
Backlog:															
Sold & Started		-	-	-	-	-	-	-	10	-	-	51	21	-	-
Number of Units		-	-	-	-	-	-	-	-	40	51	-	-	-	-
Total Backlog		-	-	-	-	-	-	-	10	40	51	51	21	-	-
Work-in-Process															
Under Construction		-	-	-	-	-	-	-	51	51	51	51	51	-	-
Complete & Unclosed		-	-	-	-	-	-	-	-	-	-	-	21	-	-
Total Work-in-Process		-	-	-	-	-	-	-	51	51	51	51	72	-	-

	serial mon Life-of-Proj	serial mon															
		Total	Q1 2011	Q2 2011	Q3 2011	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	
MEMO:																	
Home Closings	51	-	-	-	-	-	-	-	-	-	-	-	-	30	21	-	
SOURCES OF FUNDS (\$000)																	
Home Sales Proceeds	\$16,787	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	9,754	\$ 7,033	\$
Lot Premiums	420	-	-	-	-	-	-	-	-	-	-	-	-	244	176	-	
Options Revenue	1,679	-	-	-	-	-	-	-	-	-	-	-	-	975	703	-	
Total Pre-Financing Sources	18,885	-	-	-	-	-	-	-	-	-	-	-	-	10,973	7,912	-	
USES OF FUNDS (\$000)																	
Predevelopment Costs																	
Legal, Planning & Predevelopment	253	23	34	34	34	35	35	35	23	-	-	-	-	-	-	-	
Land Development Costs																	
Site Improvements	347	-	-	-	-	-	-	103	103	105	35	-	-	-	-	-	
Common Area Costs																	
Recreation Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
ROW Landscaping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Direct Construction Costs																	
Construction Costs	8,006	-	-	-	-	-	-	-	1,689	1,723	1,723	1,723	1,723	1,149	-	-	
Parking Garage Lifts	398	-	-	-	-	-	-	-	-	-	-	-	-	398	-	-	
Location Adjustment	88	-	-	-	-	-	-	1	18	18	18	17	15	-	-	-	
Hard Cost Contingency	663	-	-	-	-	-	-	8	136	138	133	131	117	-	-	-	
Prevailing Wage Adjustment	1,768	-	-	-	-	-	-	21	362	369	355	348	312	-	-	-	
A&E	427	31	47	47	47	47	47	47	116	-	-	-	-	-	-	-	
GC O&P	1,768	-	-	-	-	-	-	21	362	369	355	348	312	-	-	-	
Homebuyer Options Costs	923	-	-	-	-	-	-	-	-	-	-	-	-	536	387	-	
Building Permits & Fees	520	-	-	-	-	-	-	520	-	-	-	-	-	-	-	-	
Model Capitalized Costs	165	-	-	-	-	-	-	-	165	-	-	-	-	-	-	-	
Marketing Expense	62	-	-	-	-	-	-	-	31	31	-	-	-	-	-	-	
Sales Commission	172	-	-	-	-	-	-	-	-	-	-	-	-	100	72	-	
Seller's Closing Costs	86	-	-	-	-	-	-	-	-	-	-	-	-	50	36	-	
HOA Subsidy	12	-	-	-	-	-	-	-	-	-	-	-	-	8	3	-	
Overhead & Other Variable Costs																	
Insurance, Repair & Maintenance	172	-	-	-	-	-	-	-	32	32	32	32	32	32	11	-	
G&A Overhead	1,085	-	-	-	-	-	-	102	153	153	156	156	156	156	53	-	
Developer Fee & Profit	1,889	-	-	-	-	-	-	298	298	298	298	298	298	298	99	-	
Total Pre-Financing Uses	18,802	54	81	81	81	81	183	1,206	3,489	3,241	3,105	3,053	3,485	662	-	-	
UNLEVERAGED CASH FLOW (000)	\$ 83	\$ (54)	\$ (81)	\$ (81)	\$ (81)	\$ (81)	\$ (183)	\$ (1,206)	\$ (3,489)	\$ (3,241)	\$ (3,105)	\$ (3,053)	\$ 7,488	\$ 7,250	\$ -	-	
CUMULATIVE UNLEVERAGED CASH FLOW (000)		\$ (54)	\$ (134)	\$ (215)	\$ (296)	\$ (377)	\$ (560)	\$ (1,767)	\$ (5,255)	\$ (8,497)	\$ (11,602)	\$ (14,655)	\$ (7,167)	\$ 83	\$ 83	-	
Peak Negative Quarterly CF	\$14,655																
Payback (Mos.)	35																

	serial mon Life-of-Proje Total														
		Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
		2011	2011	2011	2011	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014
FINANCED (LEVERAGED) CASH FLOW															
Line of Credit (LOC) Financing															
(+) Draws (Excl. Interest Reserve & Fees)	17,283	54	81	81	81	81	183	1,206	3,489	3,241	3,105	3,053	2,628	-	-
(-) Repayments	(18,576)	-	-	-	-	-	-	-	-	-	-	-	(10,116)	(8,460)	-
LEVERAGED CASH FLOW	\$ (1,210)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,210)	\$ -
CUMULATIVE CASH FLOW		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,210)	\$ (1,210)
Peak negative CF	1,210														
Payback (Mos.)	24														
Line of Credit (LOC) Financing															
Beginning Loan Balance		-	468	556	646	736	829	1,026	2,251	5,793	9,137	12,396	15,652	8,418	-
(+) Loan Draws	17,283	54	81	81	81	81	183	1,206	3,489	3,241	3,105	3,053	2,628	-	-
(+) Loan Fees	412	412	-	-	-	-	-	-	-	-	-	-	-	-	-
(+) Funded Interest Reserve	881	2	7	9	10	12	13	19	53	104	154	202	254	42	-
(-) Loan Repayments	(17,367)	-	-	-	-	-	-	-	-	-	-	-	(10,116)	(7,250)	-
(-) Loan Closeout	(1,210)	-	-	-	-	-	-	-	-	-	-	-	-	(1,210)	-
Ending Loan Balance	-	468	556	646	736	829	1,026	2,251	5,793	9,137	12,396	15,652	8,418	-	-

READI, LLC - LA County Employer-Assisted Workforce Housing Project - Willowbrook (MLK) site: Static Proforma							
For-Sale - Townhouses - Prototype				Total Project	%	Wghtd Avg. Per Unit	Wghtd Avg. Per LSF
Land Area SF (Gross)				73,654			
Prototype	TH	TH	TH				
Configuration	1BR / 1.5BA	2BR / 2BA	3BR / 2.5BA				
Unit Sq. Ft. (LSF)	930	1,230	1,605	68,805		1,349	
Units / Yield	6	24	21	51			
Unit Mix	12%	47%	41%				
Parking	1.50	2.00	2.00				
Garage Area SF	270	270	270	13,770			
Parking Lifts	1	1	1				
REVENUES							
SALES PRICE TO HOMEOWNER							
Base Sales Price (including parking)	\$270,000	\$295,000	\$330,000	\$15,630,000	88.9%	\$306,471	\$227
+/- Sensitivity Adjustment Variable	0.0%	\$270,000	\$295,000	\$330,000	\$15,630,000	88.9%	\$306,471
Avg. Lot Premiums - % of Sales Price	2.5%	6,750	7,375	8,250	390,750	2.2%	7,662
Avg. Buyer Option Sales - % of Sales price	10.0%	27,000	29,500	33,000	1,563,000	8.9%	30,647
GROSS SALES PRICE TO HOMEOWNER	\$303,750	\$331,875	\$371,250	\$17,583,750	100.0%	\$344,779	\$256
Gross Sales Price / Avg. SF	\$327	\$270	\$231				
COSTS							
PRE-DEVELOPMENT COSTS	\$250,000	4,902	4,902	4,902	250,000	1.4%	4,902
Predevelopment Cycle - Mos.	20						4
DEVELOPMENT & CONSTRUCTION COSTS							
Land Development							
Hardscape & Softscape Area	\$10.00	4,857	4,857	4,857	247,720	1.4%	4,857
Driveways	\$5.00	1,089	1,089	1,089	55,560	0.3%	1,089
Sidewalks, Curb & Gutter	\$5.00	668	668	668	34,050	0.2%	668
Recreation - other					0	0.0%	0
Subtotal Land Development		6,614	6,614	6,614	337,330	1.9%	6,614
Direct Construction Base Cost							
(Direct construction base per SF., excl. option directs)		\$ 99.21	\$ 99.21	\$ 99.21			\$99.21
+/- Sensitivity Adjustment Variable	0.0%	\$ 99.21	\$ 99.21	\$ 99.21			\$99.21
Construction Cycle - Mos.	14						
Direct Construction Base Cost		92,265	122,028	159,232	6,826,123	38.8%	133,846
Parking: Garage Area	\$ 65.48	17,679	17,679	17,679	901,637	5.1%	17,679
Parking: Garage Lifts	\$ 7,500	7,500	7,500	7,500	382,500	2.2%	7,500
Subtotal Direct Construction		117,444	147,207	184,411	8,110,260	46.1%	159,025
SUBTOTAL HARD COSTS							
[RS Means] Location Factor	1.01	124,058	153,821	191,025	8,447,590	48.0%	165,639
		1,241	1,538	1,910	84,476	0.5%	1,656
TOTAL HARD COSTS		125,299	155,360	192,935	8,532,066	48.5%	167,295
PREVAILING WAGE ADJUSTMENT	20.0%	25,060	31,072	38,587	1,706,413	9.7%	33,459
Hard cost contingency	7.5%	9,397	11,652	14,470	639,905	3.6%	12,547
General Contractor O&P	20.0%	25,060	31,072	38,587	1,706,413	9.7%	33,459
A&E	5.0%	6,265	7,768	9,647	426,603	2.4%	8,365
TOTAL DEVELOPMENT & CONSTRUCTION COSTS		191,081	236,923	294,226	13,011,401	74.0%	255,126
OTHER PROJECT COSTS							
Homebuyer Options Costs	55.0%	14,850	16,225	18,150	859,650	4.9%	16,856
Permits & Fees							
Misc. Permits & Fees		10,000	10,000	10,000	510,000	2.9%	10,000
Subtotal Permits & Fees		10,000	10,000	10,000	510,000	2.9%	10,000
Marketing & Sales (% of Sales Price)							
Model Capitalized Costs	1.0%	2,768	3,024	3,383	160,208	0.9%	3,141
Marketing Expense - monthly budget	\$10,000	1,036	1,132	1,267	60,000	0.3%	1,176
Sales Commission	1.0%	2,768	3,024	3,383	160,208	0.9%	3,141
Seller's Closing Costs	0.50%	1,384	1,512	1,691	80,104	0.5%	1,571
HOA Subsidy (% of Sales Price)	0.05%	138	151	169	8,010	0.0%	157
Subtotal Marketing & Sales		8,094	8,843	9,892	468,529	2.7%	9,187
Insurance, Repair & Maintenance (% of SP)	1.0%	2,768	3,024	3,383	160,208	0.9%	3,141
G&A Overhead - monthly budget	\$50,000	18,138	19,818	22,169	1,050,000	6.0%	20,588
Financing							
Imputed interest	6.0%	8,744	10,491	12,695	570,843	3.2%	11,193
Loan Points & Legal	1.5%	3,879	4,653	5,631	253,209	1.4%	4,965
TOTAL PROJECT COSTS		262,455	314,879	381,048	17,133,839	97.4%	335,958
Total Project Cost / Avg. SF		\$282	\$256	\$237			
Nominal Developer Fee & Profit	10.0%	30,375	33,188	37,125	1,758,375	10.0%	34,478
Nominal Residual [Raw] Land Value		\$10,920	(\$16,191)	(\$46,923)	(\$1,308,464)	-7.4%	(\$25,656)

Project Name & Description:	LA Co. EAH/WF Housing Project - Athens			
Project Assumptions File Name:	Athens1			
Assumptions Source(s)	ADK&A/READI/URBAN Studio			
Run No.	1.1			
Start Year for the Model	2011			
Inflation & Appreciation				
CPI Annual Increase	2.00%			
Start Year to Apply CPI Increase	2012			
Appreciation Annual Rate	3.00%			
Start Year to Apply Appreciation Rate	2012			
Financial Assumptions:				
Discount Rate	6.00%			
REVENUES				
Base Sales Prices	\$306,471			
Average Lot Premium	2.5%			
Average Options Revenue	10.0%			
ABSORPTION				
Number of Units	51			
Monthly Absorption Rate	10			
Earliest 1st Foundation Start Date	10/1/2012			
Units per Tract / Bldg	51			
Confidence Factor for Starts	60%			
Sale to start lead - months	(2)			
Completion to Closing Lag - months	1			
Maximum Unit Closings per month	30			
For "contract building" input "100%". For "contract building" input "1")				
PREDEVELOPMENT COSTS				
Legal, Planning & Predevelopment	\$250,000	-	11,364	11,364 11,364
Cumulative Starts Trigger	1	-	-	-
Months (Lead)/Lag (to)/from Trigger	(20)			
Months to spread	22			22 Trigger Period No.
SITE DEVELOPMENT				
Site Improvements				
Budget estimate	\$337,330	-	-	-
Cumulative Starts Trigger	1	-	-	-
Months (Lead)/Lag (to)/from 1st Start	(3)			
Months to spread	10			22 Trigger Period No.
COMMON AREA COSTS:				
Park / Recreation Area Facilities	\$0	-	-	-
Cumulative Completions Trigger	5	-	-	-
Months (Lead)/Lag (to)/from Trigger	(3)			
Spending Cycle - Months	3			35 Trigger Period No.
ROW Landscaping / Unit at Unit Completion	\$0	-	-	-
DIRECT CONSTRUCTION COSTS				
Direct Construction (incl. garage) / unit	\$151,525			
Parking - Garage Lifts / unit	\$7,500			
Unit Construction Cycle - Months	14			
CONTINGENCIES				
Location Adjustment Index	1.01			
Hard Cost Contingency	7.5%			
Prevailing Wage Adjustment	20.0%			
GC O&P	20.0%			
A&E				
A&E Front-End	80.0%			
Budget estimate	\$341,283	-	15,513	15,513 15,513
Cumulative Starts Trigger	1	-	-	-
Months (Lead)/Lag (to)/from 1st Start	(20)			
Months to spread	22			22 Trigger Period No.
A&E During Production Starts	20.0%			
Budget estimate	\$85,321			
OTHER PROJECT COSTS				
Options Cost	55.0%			
Permits & fees	\$10,000			
MARKETING & SALES COSTS				
Marketing & Sales (% of SP)				
Model Capitalized Costs	1.00%			
Monthly Marketing Expense	\$10,000			
Sales Commission	1.00%			
Seller's Closing Costs	0.50%			
HOA Subsidy / Unit / Month	\$157			

OVERHEAD & OTHER VARIABLE COSTS

Insurance (% of SP)	1.00%
G&A Overhead Monthly Expense	\$50,000
Developer Fee (% of revenue)	10.00%

POST-CLOSINGS PROJECT MANAGEMENT

Monthly Homeowner Maintenance Fees	\$75
Project mgmt., R & M Annual Budget	\$100,000

DEBT FINANCING:

Line-of-Credit (LOC)	
Percent of Negative CF Funded	100.0%
Interim / LOC loan rate	6.00%
Loan Fees (%)	1.5%
Percent of Positive CF for Repayment	100.0%

LONG-TERM UNIT ROLL-OVER PROJECTIONS

Long-term CPI projections	3.00%
Avg. Sales Price	\$344,779
No. of Years to Project	30
Avg. Tenure of Homeowner	7
Sales Commission	1.0%
Ground Lessor Transfer Fee from Selling Homeown	1.0%
Ground Lessor Transfer Fee from Buying Homeown	3.0%
Ground Lessor Share in Appreciation	10.0%

Los Angeles County Workforce Housing Study Willowbrook (MLK/MACC) Site Preliminary Opinion of Cost	URBAN STUDIO
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ASSUMPTIONS

Program Workforce housing				
Site Area	73,654	GSF		
Existing Zoning	C-2	SFD & duplex only allowed		
Adjacent Zoning	R3	to east across Wilmington Avenue		
Zoning Designation Equivalent	R3			
DU/Acre/Zoning Equivalent	30	DU/acre		
Site Area After Dedication	73,654	GSF; assume no site dedications		
Maximum DU allowed/zoning analysis	51			
Dwelling Units Provided	51	assumes no bonus units		
1 BR DUs Provided	6	12%	930	LSF
2 BR DUs Provided	24	47%	1230	LSF
3 BR DUs Provided	21	41%	1605	LSF
Average DU Size	1349	LSF		
Parking Provided/DU	2	per DU		
Parking Provided Total	102			
Parking Lifts Provided	51			
Garage Area	270	per DU		
Cost/Parking Lift	\$ 7,500	installed		
Guest Parking Provided	N.A.	utilize shared offsite parking at hospital and/or curb		
Construction Type	VA	fully sprinklered		
Building Footprint Total	37,350	GSF		
Dwelling LSF	68,805	SF		
Garage Area	13,770	SF		
Hardscape & Softscape	24,772	SF		
Driveways	11,112	SF		
Off-site Improvements	6,810	sidewalk, curb, & gutter only		

OPINION OF COSTS

	SF	\$/SF	DU \$s	
Dwelling Area	68,805	\$ 99.21	\$ 6,826,123	based upon R.S. Means for Average
Garage Area	13,770	\$ 65.48	\$ 901,637	
Garage Lifts	51	\$ 7,500	\$ 382,500	
Site Hardscape & Softscape	24,772	\$ 10.00	\$ 247,720	
Site Driveways	11,112	\$ 5.00	\$ 55,560	
Off-site Improvements	6,810	\$ 5.00	\$ 34,050	
Base Construction Cost			\$ 8,447,590	
Location Factor			1.01	
Base Cost w/Location Factor			\$ 8,532,066	
Prevailing Wage Contingency	of base cost	20%	\$ 1,706,413	
Construction Contingency	of base cost	7.5%	\$ 639,905	
General Contractor (O & P) & A&E	of base cost	20%	\$ 1,706,413	
Base Construction Cost w/GC			\$ 10,154,003	
Project Construction Cost Inclusive of Contractor & A & E			\$ 12,584,797	

Construction Cost/DU	\$ 213,302	without prevailing wage
Construction Cost/DU	\$ 246,761	with prevailing wage

NOTES

1 Base construction costs include premium for additional site work related to

Los Angeles County Workforce Housing Study Willowbrook (MLK/MACC) Site Preliminary Opinion of Cost	URBAN STUDIO
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COST ASSUMPTIONS ABOVE-GRADE

	DUs	SF	GSF	
Average	6	930	5,580	1-BR
Unit	24	1230	29,520	2-BR
Size	21	1605	33,705	3-BR
	51	1,349	68,805	
	AVG			
Total GSF	68,805			

Probable Case \$/SF			
Base Cost	\$ 127.55	2	
Attached Unit Delta	0.925	3; attached unit delta	
Base Cost w/Delta	117.98		
Additional Bath	\$ 11,332	\$ 8.40	3; + additional bath
Separate Heating & AC	\$ 1,409	\$ 1.04	3; + separate HVAC
Separate Electric	\$ 1,915	\$ 1.42	3; + separate electric
	\$ 128.84	3	
	\$ 99.21		
Base Cost w/ GC only	\$ 65.48	allowance	
Base Cost Less GC	67%	\$ 7,500.00	per lift
Garage Area	66%	1.01	Inglewood/R.S. Means
Car Lift		\$ 7,500.00	per lift
Location Factor		1.01	Inglewood/R.S. Means

CA HCD

State Income Limits for 2010 as of 6/17/2010

County	Income Category	Household Size							
		1	2	3	4	5	6	7	8
Los Angeles County	Extremely Low	17,400	19,900	22,400	24,850	26,850	28,850	30,850	32,850
	Very Low Income	29,000	33,150	37,300	41,400	44,750	48,050	51,350	54,650
Area Median Income: 63,000	Lower Income	46,400	53,000	59,650	66,250	71,550	76,850	82,150	87,450
	Median Income	44,100	50,400	56,700	63,000	68,050	73,100	78,100	83,150
	Moderate Income	52,900	60,500	68,050	75,600	81,650	87,700	93,750	99,800

*"Middle Income" @ 140%***88,200 140%**

Derived Sales Prices

SP : Income Multiplier

4

SP

% of AMI

99,400 39%**165,600 66%****265,000 105%****252,000 100%****302,400 120%****352,800 140%****LA SMSA Median Price 2Q 2010****\$ 320,000**

G/L Discount

25% **\$ 240,000**

G/L Discount

20% **\$ 256,000**

Wghtd. Avg. Sales Price in this run

\$ 345,000

income multiplier

4

Qualifying Income

\$ 86,250

A Proposed Conceptual Employer-Assisted Workforce Housing Community for the County of Los Angeles at the **Athens Sheriff Station** Campus
Located in Athens at SEC of Imperial & Normandie

Athens Site: Summary of Illustrative Financial Projections for the County Special Purpose Entity (SPE) as Land Owner

Site: 2.8 acres / 120,120 Land SF
Yield / Product Type: 82 stacked-flat condos
Units Size Range (Living Area): 910 - 1,200 SF
Assumed Post-Recovery Sales Price Range (2010 \$'s): \$234,000 - \$280,000 (base price of \$242 / SF)
Projected Unit Closings for this run: Apr. 2014 - Jun. 2014 (Illustrative time line subject to general economic recovery)

	Analytical Base Case	Sensitivity Analysis			
		Optimistic Case: Sales Prices Set for Break-Even Development Cash Flow	Vertical Construction Cost Set for Break-Even Development Cash Flow	Impact of Waiving Prevailing Wage on Development Cash Flow	
<u>Independent variables</u>					
Base Sales Price / SF w/out options & premiums (2010 \$'s)	\$242	\$269	\$242	\$242	
Base SP w/out options & premiums (2010 \$'s) Wgtd Avg.	\$251,000	\$278,000	\$251,000	\$251,000	
Increase to Base Sales Price	\$0 0%	\$27,000 11%	\$0 0%	\$0 0%	
Base Vertical Construction Cost per SF	\$97	\$97	\$82	\$97	
Potential Decrease to Vertical Construction Cost / SF	\$0 0%	\$0 0%	\$-15 -15%	\$0 0%	
Prevailing Wage Add-On	\$2.4 mil.	\$2.4 mil.	\$2.1 mil.	\$0.0 mil.	
<u>Dependent variables</u>					
Financial Projections (adjusted for expected long term inflation/appreciation)					
Gross Sales Revenue from Initial Sales Round	\$25.3 mil.	\$28.1 mil.	\$25.3 mil.	\$25.3 mil.	
Net Cash Flow from Initial Project Development	\$-2.1 mil.	\$0.2 mil.	\$0.1 mil.	\$0.5 mil.	
Transfer Fees and Shared Appreciation from Resales (*)	8.8 mil.	9.8 mil.	8.8 mil.	8.8 mil.	
Net Cash Flow from Property Management (*)	-2.8 mil.	-2.9 mil.	-2.8 mil.	-2.8 mil.	
LA Co. / SPE 30-year cash flow & residual land value (*)	\$4.0 mil.	\$7.0 mil.	\$6.2 mil.	\$6.6 mil.	
<i>\$ per land SF</i>	<i>\$1.45</i>	<i>\$2.54</i>	<i>\$2.25</i>	<i>\$2.39</i>	
Net Present Value @ 6.0%	\$0.3 mil.	\$2.3 mil.	\$2.0 mil.	\$2.3 mil.	
<i>\$ per land SF</i>	<i>\$0.11</i>	<i>\$0.83</i>	<i>\$0.73</i>	<i>\$0.83</i>	

(*) A 30-year projection period was used for illustration. The project will continue to generate income for LA Co. / SPE beyond that point

<u>Contents:</u>	<u>page</u>
Financial Projections Summary	1
SPE - 30-year Summary Cash Flow Projections	2
Project Development Quarterly Cash Flow	3-5
Static Proforma and Assumptions	6
Assumptions Detail	7-10
HCD Income Limits & Affordability Calculations	11

READI, LLC - LA County Employer-Assisted Workforce Housing Project	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Life-of-Project															
Total	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025

LA Co. / SPE 30-YEAR CASH FLOW (*)

SOURCES OF FUNDS (\$000)																
Project Development Net Cash Flow	\$ (2,054)	\$ -	\$ -	\$ -	\$ (2,054)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Homeowners Maintenance Fees	3,476	-	-	-	46	80	82	85	87	90	93	95	98	101	104	107
Resales Transfer Fees and Shared Appreciation	8,826	-	-	-	-	-	-	191	208	225	243	261	268	277	285	293
Total Sources	10,248	-	-	-	(2,008)	80	82	276	295	315	335	356	367	378	389	401
USES OF FUNDS (\$000)																
Community Management, Repairs & Maintenance	4,709	-	-	-	62	108	111	115	118	122	125	129	133	137	141	145
Transfer Fees	1,524	-	-	-	-	-	-	40	41	42	43	44	46	47	49	50
Total Uses	6,233	-	-	-	62	108	111	154	159	164	169	174	179	184	190	196
30-YEAR LA Co. / SPE CASH FLOW	\$ 4,015	\$ -	\$ -	\$ -	\$ (2,070)	\$ (28)	\$ (29)	\$ 122	\$ 136	\$ 151	\$ 166	\$ 182	\$ 188	\$ 193	\$ 199	\$ 205
CUMULATIVE LA Co. / SPE CASH FLOW	\$	\$ -	\$ -	\$ -	\$ (2,070)	\$ (2,098)	\$ (2,128)	\$ (2,006)	\$ (1,870)	\$ (1,719)	\$ (1,552)	\$ (1,370)	\$ (1,182)	\$ (989)	\$ (789)	\$ (584)
Net Present Value @ 6.0% (**)	\$ 256															

(*) Displaying only 2011-2025

(**) Assumed effective LA Co. cost of capital

serial mon														
Life-of-Proje	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Total	2011	2011	2011	2011	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014

PROJECT DEVELOPMENT CASH FLOW**ABSORPTION AND INVENTORY PROJECTIONS**

Projected Absorption and Production:

Sales	82	-	-	-	-	-	-	-	10	30	30	12	-	-	-
Total / Cum Sales	82	-	-	-	-	-	-	-	10	40	70	82	-	-	-
Foundation Starts	82	-	-	-	-	-	-	-	82	-	-	-	-	-	-
Total / Cum Foundation Starts	82	-	-	-	-	-	-	-	82	-	-	-	-	-	-
Completions	82	-	-	-	-	-	-	-	-	-	-	-	-	82	-
Total / Cum Completions	82	-	-	-	-	-	-	-	-	-	-	-	-	82	-
Closings	82	-	-	-	-	-	-	-	-	-	-	-	-	-	82
Total / Cum Closings	82	-	-	-	-	-	-	-	-	-	-	-	-	-	82

Projected End-of-Period Backlog & Work-in-Process

Backlog:															
Sold & Started	-	-	-	-	-	-	-	10	-	-	-	-	82	82	-
Number of Units	-	-	-	-	-	-	-	-	40	70	82	-	-	-	-
Total Backlog	-	-	-	-	-	-	-	10	40	70	82	82	82	82	-
Work-in-Process															
Under Construction	-	-	-	-	-	-	-	82	82	82	82	82	82	82	-
Complete & Unclosed	-	-	-	-	-	-	-	-	-	-	-	-	-	82	-
Total Work-in-Process	-	-	-	-	-	-	-	82	82	82	82	82	82	164	-

	serial mon Life-of-Proje Total	Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2 Q3 Q4 Q1 Q2													
		2011 2011 2011 2011 2012 2012 2012 2012 2013 2013 2013 2013 2014 2014													
MEMO:															
Home Closings	82	-	-	-	-	-	-	-	-	-	-	-	-	-	82
SOURCES OF FUNDS (\$000)															
Home Sales Proceeds	\$22,508	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,508
Lot Premiums	563	-	-	-	-	-	-	-	-	-	-	-	-	-	563
Options Revenue	2,251	-	-	-	-	-	-	-	-	-	-	-	-	-	2,251
Total Pre-Financing Sources	25,321	-	-	-	-	-	-	-	-	-	-	-	-	-	25,321
USES OF FUNDS (\$000)															
Predevelopment Costs															
Legal, Planning & Predevelopment	253	23	34	34	34	35	35	35	23	-	-	-	-	-	-
Land Development Costs															
Site Improvements	732	-	-	-	-	-	-	218	218	222	74	-	-	-	-
Common Area Costs															
Recreation Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ROW Landscaping	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Direct Construction Costs															
Construction Costs	10,980	-	-	-	-	-	-	-	1,794	1,830	1,830	1,830	1,830	1,866	-
Location Adj.	117	-	-	-	-	-	-	2	20	21	19	18	18	19	-
Hard Cost Contingency	922	-	-	-	-	-	-	17	155	162	150	144	144	150	-
Prevailing Wage Adjustment	2,366	-	-	-	-	-	-	44	406	415	385	370	370	377	-
A&E	569	41	62	62	62	62	62	62	155	-	-	-	-	-	-
GC O&P	2,366	-	-	-	-	-	-	44	406	415	385	370	370	377	-
Homebuyer Options Costs	1,238	-	-	-	-	-	-	-	-	-	-	-	-	-	1,238
Building Permits & Fees	836	-	-	-	-	-	-	836	-	-	-	-	-	-	-
Model Capitalized Costs	217	-	-	-	-	-	-	-	217	-	-	-	-	-	-
Marketing Expense	93	-	-	-	-	-	-	-	31	31	31	-	-	-	-
Sales Commission	231	-	-	-	-	-	-	-	-	-	-	-	-	-	231
Seller's Closing Costs	115	-	-	-	-	-	-	-	-	-	-	-	-	-	115
HOA Subsidy	21	-	-	-	-	-	-	-	-	-	-	-	-	-	21
Overhead & Other Variable Costs															
Insurance, Repair & Maintenance	231	-	-	-	-	-	-	-	33	33	33	33	33	33	33
G&A Overhead	1,351	-	-	-	-	-	102	153	153	156	156	156	156	159	159
Developer Fee & Profit	2,532	-	-	-	-	-	-	317	317	317	317	317	317	317	317
Total Pre-Financing Uses	25,170	64	96	96	96	97	199	1,728	3,929	3,600	3,379	3,237	3,237	3,298	2,114
UNLEVERAGED CASH FLOW (000)	\$ 152	\$ (64)	\$ (96)	\$ (96)	\$ (96)	\$ (97)	\$ (199)	\$ (1,728)	\$ (3,929)	\$ (3,600)	\$ (3,379)	\$ (3,237)	\$ (3,237)	\$ (3,298)	\$ 23,208
CUMULATIVE UNLEVERAGED CASH FLOW (000)		\$ (64)	\$ (160)	\$ (256)	\$ (353)	\$ (449)	\$ (648)	\$ (2,376)	\$ (6,305)	\$ (9,905)	\$ (13,284)	\$ (16,521)	\$ (19,758)	\$ (23,056)	\$ 152
Peak Negative Quarterly CF	\$23,056														
Payback (Mos.)	40														

	serial mon Life-of-Proje Total																				
		Q1		Q2		Q3		Q4		Q1		Q2		Q3		Q4		Q1		Q2	
		2011	2011	2011	2011	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2014	2014	2014	
FINANCED (LEVERAGED) CASH FLOW																					
Line of Credit (LOC) Financing																					
(+) Draws (Excl. Interest Reserve & Fees)	23,056	64	96	96	96	97	199	1,728	3,929	3,600	3,379	3,237	3,237	3,298	-						
(-) Repayments	(25,262)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(25,262)					
LEVERAGED CASH FLOW																					
	\$ (2,054)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,054)					
CUMULATIVE CASH FLOW																					
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (2,054)					
Peak negative CF	2,054																				
Payback (Mos.)	19																				
Line of Credit (LOC) Financing																					
Beginning Loan Balance		-	694	801	909	1,020	1,132	1,349	3,102	7,099	10,824	14,383	17,854	21,376	25,013						
(+) Loan Draws	23,056	64	96	96	96	97	199	1,728	3,929	3,600	3,379	3,237	3,237	3,298	-						
(+) Loan Fees	626	626	-	-	-	-	-	-	-	-	-	-	-	-	-						
(+) Funded Interest Reserve	1,580	3	11	13	14	16	18	25	68	125	181	233	285	339	249						
(-) Loan Repayments	(23,208)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(23,208)					
(-) Loan Closeout	(2,054)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,054)					
Ending Loan Balance	-	694	801	909	1,020	1,132	1,349	3,102	7,099	10,824	14,383	17,854	21,376	25,013	0						

READI, LLC - LA County Employer-Assisted Workforce Housing Project - Athens site: Static Proforma								
For-Sale Condos - Stacked Flat				Total Project	%	Wghtd Avg. Per Unit	Wghtd Avg. Per LSF	
Prototype								
Land Area SF (Gross)				120,120				
Prototype Configuration		Stck'd Flat 1BR /	Stck'd Flat 2BR / 2BA	Stck'd Flat 3BR /				
Unit Sq. Ft. (LSF)		910	1,000	1,200	84,970	1,036		
Units / Yield		27	28	27	82			
Unit Mix		33%	34%	33%				
Parking		1.50	2.00	2.00				
Garage Area SF (allocated, incl. guest parking)		598	598	598	49,075			
REVENUES								
SALES PRICE TO HOMEOWNER								
Base Sales Price (including parking)		\$234,000	\$240,000	\$280,000	\$20,598,000	88.9%	\$251,195	\$242
+/- Sensivity Adjustment Variable	0.0%	\$234,000	\$240,000	\$280,000	\$20,598,000	88.9%	\$251,195	\$242
Avg. Lot Premiums - % of Sales Price	2.5%	5,850	6,000	7,000	514,950	2.2%	6,280	6
Avg. Buyer Option Sales - % of Sales price	10.0%	23,400	24,000	28,000	2,059,800	8.9%	25,120	24
GROSS SALES PRICE TO HOMEOWNER		\$263,250	\$270,000	\$315,000	\$23,172,750	100.0%	\$282,595	\$273
Gross Sales Price / Avg. SF		\$289	\$270	\$263				
COSTS								
PRE-DEVELOPMENT COSTS	\$250,000	3,049	3,049	3,049	250,000	1.1%	3,049	3
Predevelopment Cycle - Mos.	20							
DEVELOPMENT & CONSTRUCTION COSTS								
Land Development								
Hardscape & Softscape Area	\$10.00	7,470	7,470	7,470	612,550	2.6%	7,470	7
Driveways	\$5.00	998	998	998	81,825	0.4%	998	1
Sidewalks, Curb & Gutter	\$5.00	213	213	213	17,500	0.1%	213	0
Recreation - other					0	0.0%	0	0
Subtotal Land Development		8,681	8,681	8,681	711,875	3.1%	8,681	8
Direct Construction Base Cost								
(Direct construction base per SF., excl. option directs)		\$ 96.88	\$ 96.88	\$ 96.88				\$96.88
+/- Sensivity Adjustment Variable	0.0%	\$ 96.88	\$ 96.88	\$ 96.88				\$96.88
Construction Cycle - Mos.	18							
Direct Construction Base Cost		88,164	96,884	116,260	8,232,212	35.5%	100,393	97
Parking: Garage Area	\$ 47.28	28,299	28,299	28,299	2,320,483	10.0%	28,299	27
Subtotal Direct Construction		116,463	125,182	144,559	10,552,695	45.5%	128,691	124
SUBTOTAL HARD COSTS		125,144	133,864	153,240	11,264,570	48.6%	137,373	133
[RS Means] Location Factor	1.01	1,251	1,339	1,532	112,646	0.5%	1,374	1
TOTAL HARD COSTS		126,396	135,202	154,773	11,377,216	49.1%	138,747	134
PREVAILING WAGE ADJUSTMENT	20.0%	25,279	27,040	30,955	2,275,443	9.8%	27,749	27
Hard Cost Contingency	7.5%	9,480	10,140	11,608	853,291	3.7%	10,406	10
General Contractor O&P	20.0%	25,279	27,040	30,955	2,275,443	9.8%	27,749	27
A&E	5%	6,320	6,760	7,739	568,861	2.5%	6,937	7
TOTAL DEVELOPMENT & CONSTRUCTION COSTS		192,753	206,184	236,029	17,350,254	74.9%	211,588	204
OTHER PROJECT COSTS								
Homebuyer Options Costs	55.0%	12,870	13,200	15,400	1,132,890	4.9%	13,816	13
Permits & Fees								
Misc. Permits & Fees		10,000	10,000	10,000	820,000	3.5%	10,000	10
Subtotal Permits & Fees		10,000	10,000	10,000	820,000	3.5%	10,000	10
Marketing & Sales (% of Sales Price)								
Model Capitalized Costs	1.0%	2,399	2,460	2,870	211,130	0.9%	2,575	2
Marketing Expense - monthly budget	\$10,000	909	932	1,087	80,000	0.3%	976	1
Sales Commission	1.0%	2,399	2,460	2,870	211,130	0.9%	2,575	2
Seller's Closing Costs	0.50%	1,199	1,230	1,435	105,565	0.5%	1,287	1
HOA Subsidy (% of Sales Price)	0.05%	120	123	144	10,556	0.0%	129	0
Subtotal Marketing & Sales		7,025	7,205	8,406	618,380	2.7%	7,541	7
Insurance, Repair & Maintenance (% of SP)	1.0%	2,399	2,460	2,870	211,130	0.9%	2,575	2
G&A Overhead - monthly budget	\$50,000	13,632	13,982	16,312	1,200,000	5.2%	14,634	14
Financing								
Imputed interest	6.0%	10,878	11,524	13,143	971,219	4.2%	11,844	11
Loan Points & Legal	1.5%	3,789	4,014	4,578	338,308	1.5%	4,126	4
TOTAL PROJECT COSTS		256,395	271,617	309,787	22,892,181	98.8%	279,173	269
Total Project Cost / Avg. SF		\$282	\$272	\$258				
Nominal Developer Fee & Profit	10.0%	26,325	27,000	31,500	2,317,275	10.0%	28,259	27
Nominal Residual [Raw] Land Value (1)		(\$19,470)	(\$28,617)	(\$26,287)	(\$2,036,706)	-8.8%	(\$24,838)	(\$24)
(1) For sensitivity illustration, residual land value could be brought to "break-even" of \$0 if, for example:								
(a) Sales prices are raised by \$27,000 (11%)								
(b) Vertical construction costs are reduced by \$-15/SF (-15%)								
(c) If prevailing wage premium is waived residual land value becomes positive.								

Project Name & Description:	LA Co. EAH/WF Housing Project - Athens
Project Assumptions File Name:	Athens1
Assumptions Source(s)	ADK&A/READI/URBAN Studio
Run No.	1.1
Start Year for the Model	2011
Inflation & Appreciation	
CPI Annual Increase	2.00%
Start Year to Apply CPI Increase	2012
Appreciation Annual Rate	3.00%
Start Year to Apply Appreciation Rate	2012
Financial Assumptions:	
Discount Rate	6.00%
REVENUES	
Base Sales Prices	\$251,195
Average Lot Premium	2.5%
Average Options Revenue	10.0%
ABSORPTION	
Number of Units	82
Monthly Absorption Rate	10
Earliest 1st Foundation Start Date	10/1/2012
Units per Tract / Bldg	82
Confidence Factor for Starts	60%
Sale to start lead - months	(2)
Completion to Closing Lag - months	1
Maximum Unit Closings per month	30
	For "contract building" input "100%"; For "contract building" input "1")
PREDEVELOPMENT COSTS	
Legal, Planning & Predevelopment	\$250,000
Cumulative Starts Trigger	1
Months (Lead)/Lag (to)/from Trigger	(20)
Months to spread	22
	22 Trigger Period No.
SITE DEVELOPMENT	
Site Improvements	
Budget estimate	\$711,875
Cumulative Starts Trigger	1
Months (Lead)/Lag (to)/from 1st Start	(3)
Months to spread	10
	22 Trigger Period No.
COMMON AREA COSTS:	
Park / Recreation Area Facilities	\$0
Cumulative Completions Trigger	5
Months (Lead)/Lag (to)/from Trigger	(3)
Spending Cycle - Months	3
	39 Trigger Period No.
ROW Landscaping / Unit at Unit Completion	\$0
	- - - -
DIRECT CONSTRUCTION COSTS	
Direct Construction (incl. garage) / unit	\$128,691
Unit Construction Cycle - Months	18
CONTINGENCIES	
Location Adjustment Index	1.01
Hard Cost Contingency	7.5%
Prevailing Wage Adjustment	20.0%
GC O&P	20.0%
A&E	
A&E Front-End	80.0%
Budget estimate	\$455,089
Cumulative Starts Trigger	1
Months (Lead)/Lag (to)/from 1st Start	(20)
Months to spread	22
A&E During Production Starts	20.0%
Budget estimate	\$113,772
	22 Trigger Period No.
OTHER PROJECT COSTS	
Options Cost	55.0%
Permits & fees	\$10,000
MARKETING & SALES COSTS	
Marketing & Sales (% of SP)	
Model Capitalized Costs	1.00%
Monthly Marketing Expense	\$10,000
Sales Commission	1.00%
Seller's Closing Costs	0.50%
HOA Subsidy / Unit / Month	\$129

OVERHEAD & OTHER VARIABLE COSTS

Insurance (% of SP)	1.00%
G&A Overhead Monthly Expense	\$50,000
Developer Fee (% of revenue)	10.00%

POST-CLOSINGS PROJECT MANAGEMENT

Monthly Homeowner Maintenance Fees	\$75
Project mgmt., R & M Annual Budget	\$100,000

DEBT FINANCING:

Line-of-Credit (LOC)	
Percent of Negative CF Funded	100.0%
Interim / LOC loan rate	6.00%
Loan Fees (%)	1.5%
Percent of Positive CF for Repayment	100.0%

LONG-TERM UNIT ROLL-OVER PROJECTIONS

Long-term CPI projections	3.00%
Avg. Sales Price	\$282,595
No. of Years to Project	30
Avg. Tenure of Homeowner	7
Sales Commission	1.0%
Ground Lessor Transfer Fee from Selling Homeown	1.0%
Ground Lessor Transfer Fee from Buying Homeown	3.0%
Ground Lessor Share in Appreciation	10.0%

READI, LLC - LA County Employer-Assisted Workforce Housing Project - Athens site
Athens Sherriff's Station and Probation Department Site
Preliminary Opinion of Cost **URBAN STUDIO**

ASSUMPTIONS

Program Workforce housing	
Site Area	120,120 GSF
Existing Zoning	C-2 SFD & duplex only allowed
Adjacent Zoning	R3 to south of site
Zoning Designation Equivalent	R3
DU/Acre/Zoning Equivalent	30 DU/acre
Site Area After Dedication	120,120 GSF; assume no site dedications
num DU allowed/zoning analysis	82.7
Maximum DU Provided	82.0
Dwelling Units Provided	51 assumes no bonus units
1 BR DUs Provided	27 53% 910 GSF
2 BR DUs Provided	28 55% 1000 GSF
3 BR DUs Provided	27 53% 1200 GSF
Average DU Size	1036 GSF
Parking Required/1-BR DU	1.5 per DU
Parking Required/2-BR DU	2.0 spaces
Parking Provided Total	151 spaces
Guest Parking Required	0.25 per DU
Guest Parking Provided	21 spaces
Construction Type (apartments)	VA fully sprinklered
Construction Type Garage	1A fully sprinklered
Building Footprint Total	42,500 GSF
Dwelling LSF	84,970 SF
Garage Area	49,075 SF
Hardscape & Softscape	61,255 SF
Driveways	16,365 SF
Off-site Improvements	3,500 sidewalk, curb, & gutter only

OPINION OF COSTS

	SF	\$/SF	DU \$s	
Dwelling Area	84,970	\$ 96.88	\$ 8,232,212	based upon R.S. Means for Average Residential Construction (2011, p. 30)
Garage Area	49,075	\$ 47.28	\$ 2,320,483	allowance
Site Hardscape & Softscape	61,255	\$ 10.00	\$ 612,550	allowance
Site Driveways	16,365	\$ 5.00	\$ 81,825	allowance
Off-site Improvements	3,500	\$ 5.00	\$ 17,500	allowance
Base Construction Cost			\$ 11,264,570	
Location Factor			\$ 1.01	
Base Cost w/Location Factor			\$ 11,377,216	
Prevailing Wage Contingency	of base cost	20%	\$ 2,275,443	
Construction Contingency	of base cost	7.5%	\$ 853,291	includes contingency for overexcavation and conditional
GC (O&P) & A & E (%)	of base cost	25%	\$ 2,844,304	
Construction Cost w/Prevailing Wage			#####	
Construction Cost w/o Prevailing Wage			#####	
Construction Cost/DU w/Prevailing Wage			\$ 211,588	
Construction Cost/DU w/o Prevailing Wage			\$ 183,839	

NOTES

- 1 Base construction costs include sprinklers and premium for additional site work related to overexcavation and use of high quality windows to reduce noise ga

Los Angeles County Workforce Housing Study Athens Sherriff's and Probation Site Preliminary Opinion of Cost	URBAN STUDIO
--	---------------------

COST ASSUMPTIONS ABOVE-GRADE

	DUs	SF	GSF	
Average	27	910	24,570	1-BR
Unit	28	1000	28,000	2-BR
Size	27	1200	32,400	3-BR
	82	1,036	84,970	
	AVG			
Total GSF	84,970			

		\$/SF	
Base Cost	\$ 128.82		blended cost from R.S. Means 2010, M.010
Perimeter Adjustment	\$ 13.50		per R.S. Means 1350 allowed. vs. 1615 actual
Less Substructure	\$ (3.43)		included in M.280
Appliances	\$ 2,200	\$ 2.12	assume range, dishwasher, & disposal
Security	\$ 12,500	\$ 0.15	assume 10 camera system
Add. Elevators	\$ 65,000	\$ 0.76	assume one add. elevator
Emergency Lighting	\$ 10,000	\$ 0.12	per R.S. Means
W/D	\$ 1,250	\$ 1.21	per R.S. Means
Smoke Detectors	\$ 115,000	\$ 1.35	
	\$/SF	\$ 144.60	detached
\$/SF Less GC & A & E	\$ 96.88		33%

COST ASSUMPTIONS BELOW-GRADE

Total GSF	49,075
-----------	--------

		\$/SF	
Base Cost	\$ 79.95		cost from R.S. Means 2010, M.280
Perimeter Adjustment	\$ 7.50		per R.S. Means 650 allowed. vs. 1000 actual
Less Roof	\$ (11.76)		included in M.010
Less Roof Covering	\$ (2.15)		included in M.010
Less fans	\$ (0.16)		
Less Elevator	\$ (1.58)		per R.S. Means
Less Plumbing	\$ (1.43)		per R.S. Means
Gate	\$ 10,000	\$ 0.20	per R.S. Means
	\$/SF	\$ 70.57	detached
\$/SF Less GC & A & E	\$ 47.28		33%

Location Factor	1.01	Inglewood/R.S. Means
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READI, LLC - LA County Employer-Assisted Workforce Housing Project - Athens site
CA HCD
State Income Limits for 2010 as of 6/17/2010

County	Income Category	Household Size							
		1	2	3	4	5	6	7	8
Los Angeles County	Extremely Low	17,400	19,900	22,400	24,850	26,850	28,850	30,850	32,850
	Very Low Income	29,000	33,150	37,300	41,400	44,750	48,050	51,350	54,650
Area Median Income: 63,000	Lower Income	46,400	53,000	59,650	66,250	71,550	76,850	82,150	87,450
	Median Income	44,100	50,400	56,700	63,000	68,050	73,100	78,100	83,150
	Moderate Income	52,900	60,500	68,050	75,600	81,650	87,700	93,750	99,800
<i>"Middle Income" @ 140%</i>					88,200				140%

Derived Sales Prices	SP : Income Multiplier	4	% of AMI
		SP	
		99,400	39%
		165,600	66%
		265,000	105%
		252,000	100%
		302,400	120%
		352,800	140%

LA SMSA Median Price 2Q 2010	\$ 320,000
G/L Discount 25%	\$ 240,000
G/L Discount 20%	\$ 256,000

Wghtd. Avg. Sales Price in this run	\$ 283,000
income multiplier	4
Qualifying Income	\$ 70,750



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Memorandum

TO: Dan Rosenfeld, Los Angeles County 2nd Supervisorial District **DATE:** January 21, 2010
Jan Takata and Chuck West, Los Angeles County CEO Office
CC: Ehud G. Mouchly, READI; John Kaliski, URBAN STUDIO
FROM: Allan D. Kotin
RE: **FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY**

The Los Angeles County CEO authorized Allan D. Kotin & Associates, in association with READI, LLC (Ehud Mouchly), and URBAN STUDIO (John Kaliski), to examine the feasibility of employer-assisted workforce housing at two County-owned sites selected by the Second Supervisorial District, one at the Athens Sheriff Station and one at the Martin Luther King Medical Center in Willowbrook.

The study examines the two sites to determine, within the parameters of employer-assisted workforce housing on ground-leased land, (1) the level and type of development that is physically and legally feasible; (2) whether such development would meet employees' housing needs; and (3) whether such a development is financially feasible.

This report is largely an extended executive summary based on core reports prepared by URBAN STUDIO and READI. The following abstract represents a distillation of key findings.

ABSTRACT: The value of employer-assisted workforce housing on employer-owned land rests on four interrelated assumptions: (1) employees want to live near where they work; (2) employees are prevented from living near work by the high cost of housing; (3) high land values are a major cause of the high housing cost; and (4) employers use such programs as attraction and retention tools. For the two sites considered in this study, the first three core assumptions may not apply at this time (although they could in the future) because: there is plentiful lower-cost housing nearby; land costs are not so high that removing them creates a clear "bargain" price; and there is no clear evidence that many of the surveyed employees want to live near where they work. Notwithstanding these limitations, the analysis shows that attractive ownership condominium housing can be built for a price that will appeal to a meaningful subset of employees, particularly in the case of the MLK site. Since only a modest increase in price (7-9%) or decrease in cost would make the projects feasible, the analysis suggests there is a basis for initiating a developer solicitation process to determine how the development community views the underlying factors and whether they can yield stronger results. The primary goals thus appear to be community enhancement and improved employment policy rather than future economic return. It is important to note as well that other approaches outside the scope of this analysis may permit successful housing development such as affordable housing and 80-20 mixed-income housing. The site analysis indicates both sites can support multifamily housing, and a developer solicitation effort open to alternative financing strategies may yield additional options.



Memorandum

**Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY**

The balance of this memo, divided into five sections, is devoted to summarizing the main sections of the consulting effort, most of which is described in detail in the Attachments:

1. **Applicability of the Program Premises:** A review of the diagnostic premises and their applicability to the two sites investigated. Investigates the extent to which the target sites differ markedly from areas where this concept worked.
2. **Determination of Physical Feasibility:** Describes the maximum feasible project physically supportable on each site.
3. **Financial Feasibility Calculations:** Reviews the cost and revenues associated with each site's hypothetical development, assuming use of a ground lease where capitalized ground lease payments made as units turn over substitute for current ground rent.
4. **Employee Survey Findings:** Considers demand and preferences as reflected in survey results. *(Note: results are indicative and useful but not statistically valid, due to small sample size and non-random selection.)*
5. **Implications for County:** Discusses policy and financial implications of proceeding with the program, notwithstanding indications of limited feasibility as measured.

The main report incorporates five Attachments. **Attachment A** is a general description of employer-assisted workforce housing prepared by READI and submitted previously to the County. The reports in **Attachments B and C**, prepared by URBAN STUDIO, are concept designs and yield analyses that describe the maximum physically feasible project for each site with associated costs. **Attachment D**, from READI, summarizes the financial feasibility analysis. **Attachment E**, prepared by READI, summarizes the employee survey. *As noted above, review of Attachments B-D is critical to any detailed understating of the findings. This report is only a summary.*

Two detailed multi-page reports prepared by READI are packaged separately. These provide additional backup detail of the financial calculations for the feasibility analyses summarized in Attachment D.

APPLICABILITY OF THE PREMISES

The typical underlying premises for employer-assisted workforce housing that are summarized in the abstract and incorporated in Attachment A provide a useful diagnostic for considering the feasibility of the program:



Memorandum

Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY

1. Employees feel they will benefit from living near the workplace.
2. The cost of housing near the workplace is prohibitively expensive.
3. The high cost of housing is attributable, at least in part, to high cost of the underlying land.
4. The economics of the condominium leasehold/ownership model are financially attractive enough to prospective buyers—considering reduced initial purchase price, tax benefits, and asset appreciation—to overcome the limitations of ground leasing and shared appreciation.
5. The quality and amenities of the proposed housing model are attractive enough to buyers to overcome preferences for detached housing at similar cost but located far from work.
6. Reduced commuting costs, including auto insurance premiums, increases spendable income.
7. Employers can effectively use these programs as an attraction and retention tool.

The first premise, that employees want to live very near work, appears to have support among employees who participated in the survey.^{1 2}

Other critical premises described above apply either weakly or not at all in the current market. Premises 2 and 3 would not apply if the projects were available for occupancy today. Housing near the target sites in South LA is not currently prohibitively expensive by area-wide standards, and high underlying land cost is not a factor. The analysis of development cost for the maximum permissible density under a generous interpretation of zoning codes suggests there is no current price advantage to be gained at either location in comparison to ownership housing already available in the vicinity.

On the other hand, as noted below, these projects will require a lead time of two-to-three years from launch to delivery. Current conditions will likely change as the market begins to recover, although there is considerable uncertainty about the timing and magnitude of such a recovery. If past patterns re-appear, adequately-priced housing near employment may again be in short supply, and land values will rise disproportionately.

¹ The employee survey did not distinguish between sworn officers and civilian employees of the Sheriff Department. However, anecdotal conversations with a few Sheriff deputies at the West Hollywood Sheriff station indicated locational distinctions. They strongly welcome living close to work if the location is West Hollywood and reject living near work if the location is Athens, due to safety concerns for their families and themselves.

² Probation Department employees at the Athens site were not included in the survey because of management's decision to not participate on grounds that they did not wish employees to live near clients.

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Memorandum

Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY

Of all the potential underlying premises, evidence exists to partially support only premises 4 and 5. These deal first with the fact that condominium ownership³ on ground-leased land is not an insurmountable obstacle for those who would consider it. Secondly, there appears to be an appetite for improved amenities, including accessibility, at a lower price than might otherwise be available.

Ultimately, financial feasibility may change with market context. At today's prices and costs, the concept has little applicability at either site. However, the current situation is atypical and arguably unstable. While there is almost universal expectation of recovery, the timing and magnitude remain uncertain. There are also local factors to be considered, which may make development more desirable at these locations than a purely "normative" analysis would suggest.

Accordingly and as determined by the scope of work, this analysis reflects current conditions and a conservative expectation of improvement over time. Whether the development community has more aggressive expectations about price increases than those already incorporated in the analyses, and whether the special and intangible characteristics of the site and the opportunity justify projects that currently do not appear feasible, are questions outside the scope of this analysis. The implications of this uncertainty are discussed at greater length in the concluding sections on "Implications for County Decision-Making."

DETERMINATION OF MAXIMUM PHYSICALLY FEASIBLE DEVELOPMENT

General Approach

The approach to establishing the maximum physically feasible development, conducted by URBAN STUDIO, entailed an analysis of nearby zoning and a detailed analysis of site dimensions and constraints. In keeping with the objective of providing attractive housing at below-market price, Type V construction involving frame and stucco was employed where possible. Considering the public nature of the program, a prevailing wage premium was incorporated into estimates as well.⁴ In accordance with the terms of the proposal, URBAN STUDIO prepared a site plan but not a detailed architectural design.

Athens Site

The Athens site is at the intersection of Normandie Boulevard and Imperial Highway (shown in the aerial photo on the following page) and adjoins the recently completed Sheriff Station and a smaller Probation Department office. The maximum program for the Athens site comprises 82 stacked-flat

³ With distinct preference for townhouse typology vs. stacked flat

⁴ In the supporting analysis, there is a notation of how the bottom line improves without the prevailing wage premium
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ADK&A

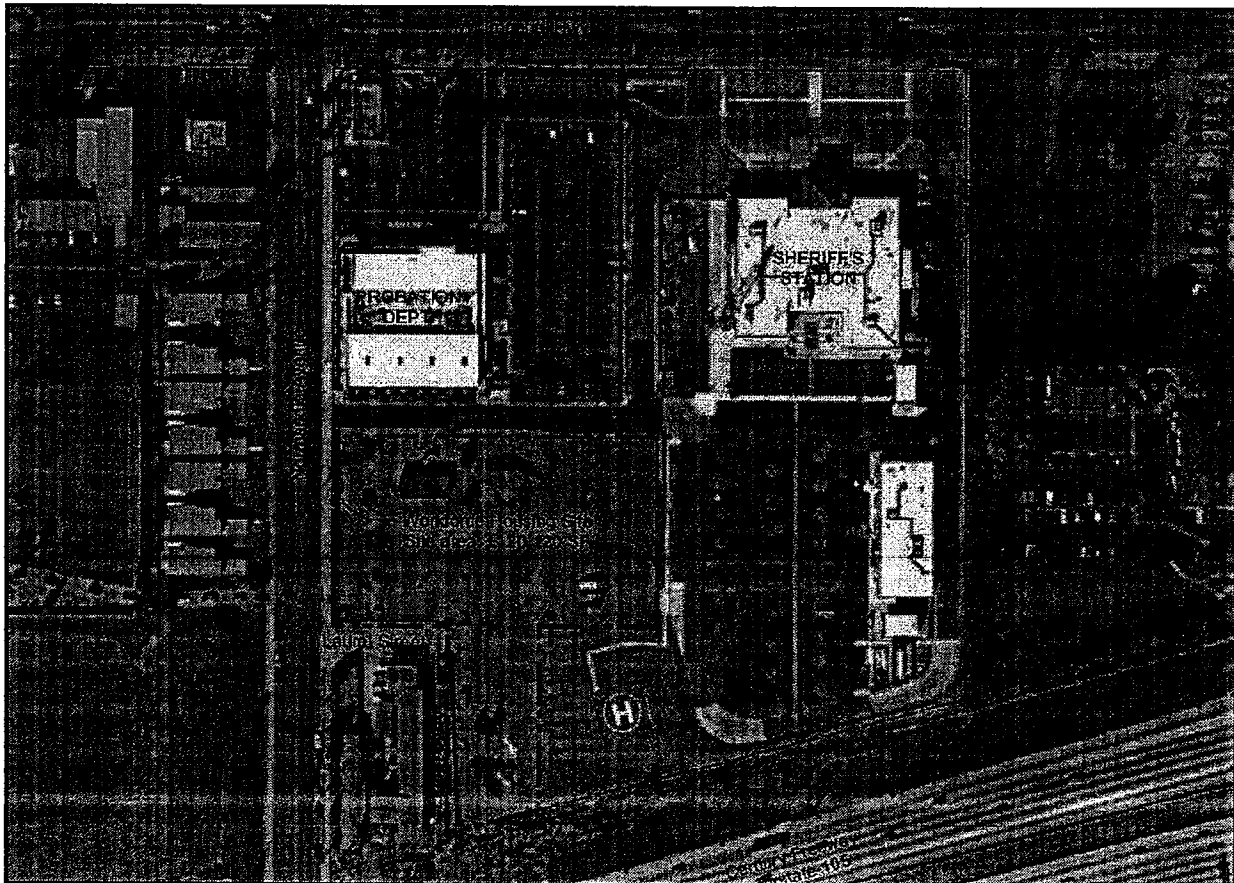
Memorandum

Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND MLK/MACC COUNTY HEALTH FACILITY

condominium units from 910 to 1,200 square feet in size built on a 120,120 square-foot parcel. The text table below summarizes the key physical characteristics of the project.

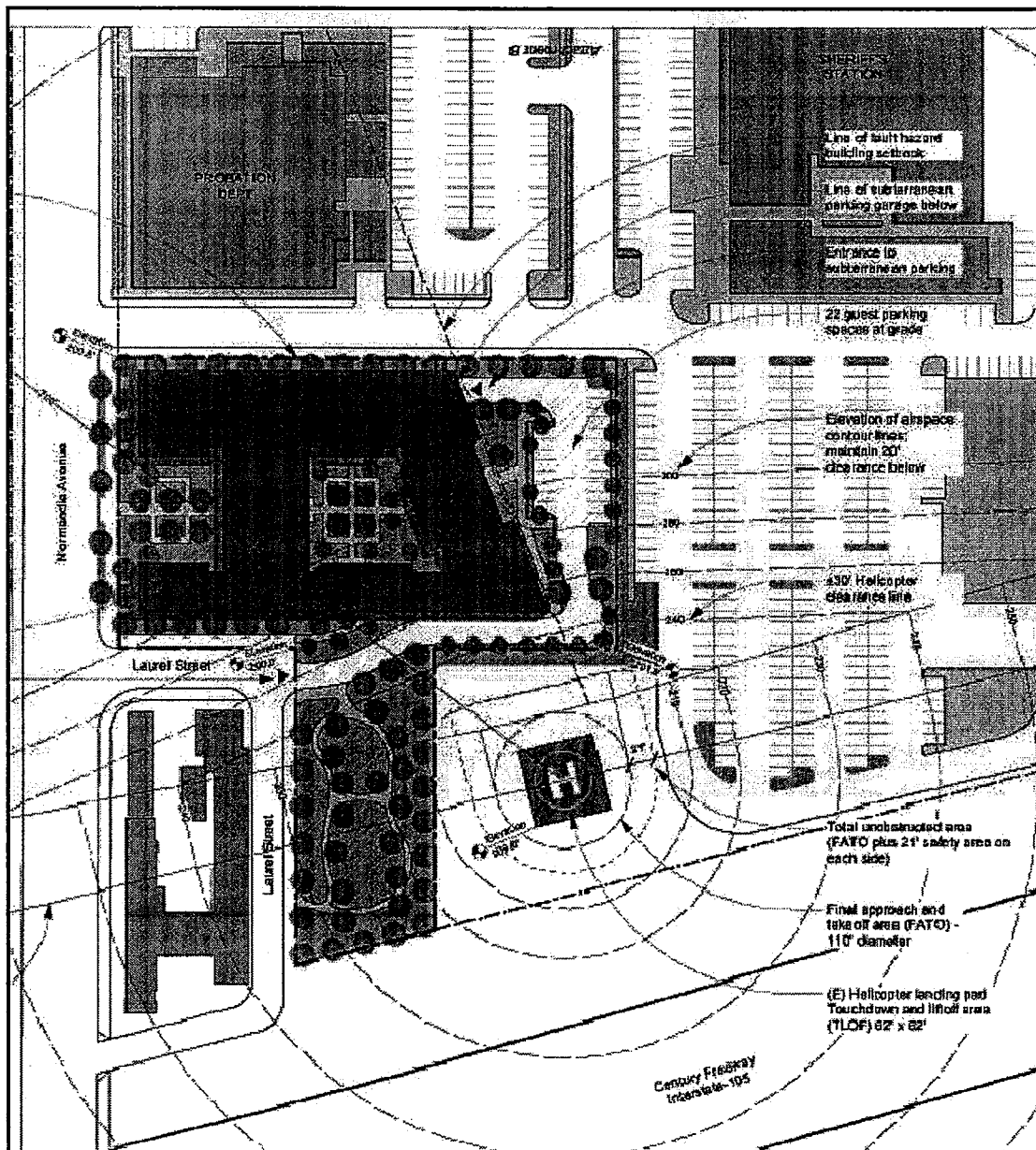
Athens Program Summary			
Site		Building and Parking	
Site Area (sf)	120,120 sf	Building Type	Stacked Flat
Assumed Zoning	R3	Unit Type	1,2,3 BR
Net Saleable Area (sf)	84,970 sf	Units	82
Site Coverage Ratio	0.71	Unit size (range, sf)	910 to 1,200
		Unit size (average, sf)	1,036
Construction Costs		Parking	
Total	\$17,350,254	(tuck-under)	151
Total/DU	\$211,588		

Athens Site Aerial





Athens Site Plan





Memorandum

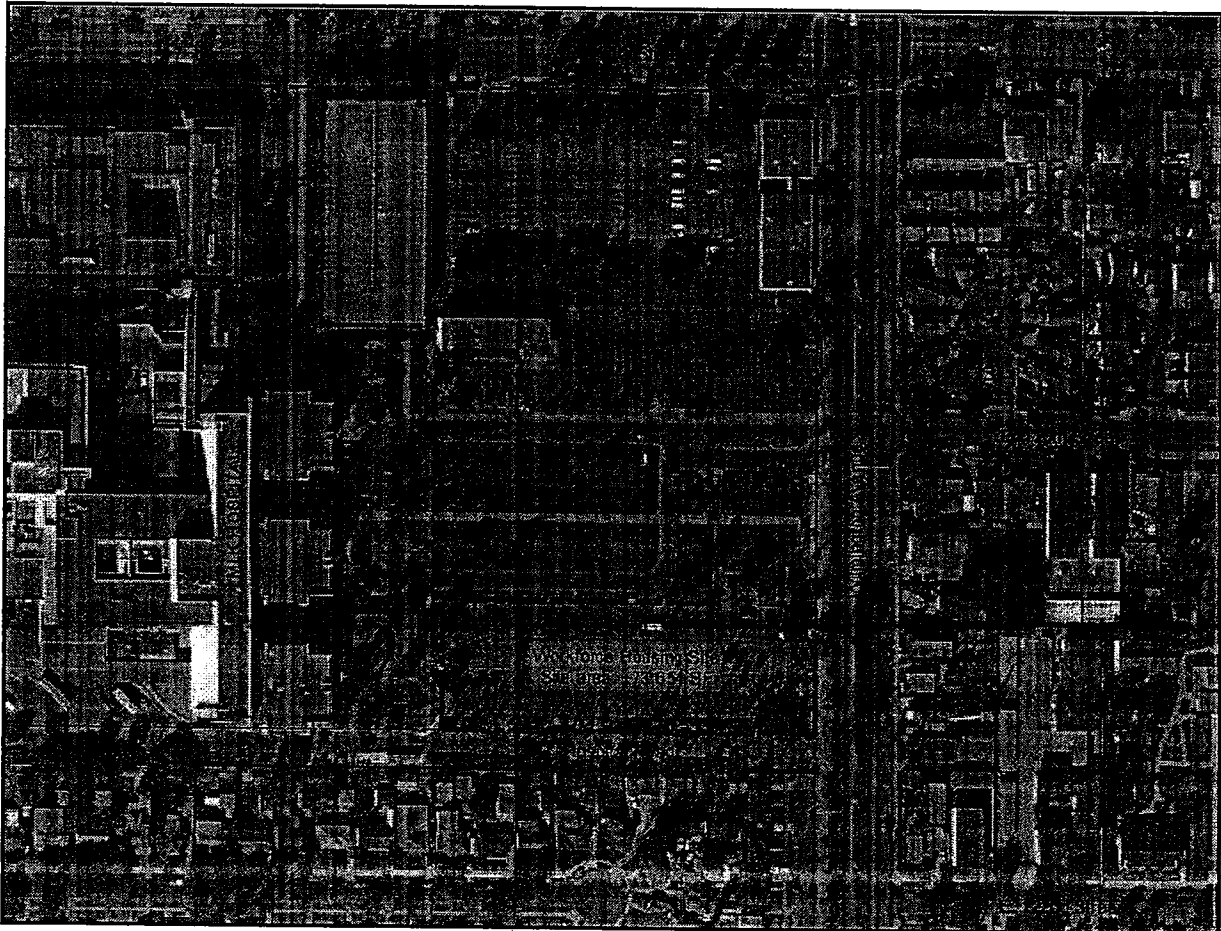
**Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY**

In order to achieve the maximum physically feasible program, the format of “stacked flats” was selected rather than townhouses, which are considered preferable for ownership housing. The features of the site, which include a helicopter pad for the Sheriff station, suggest this program will not have many of the design elements that make it competitive with detached housing.

MLK (Willowbrook) Site

The site investigated for the MLK site in Willowbrook is located on the grounds of the MLK health facility and is currently used as a surface parking lot.

MLK/Willowbrook Aerial





Memorandum

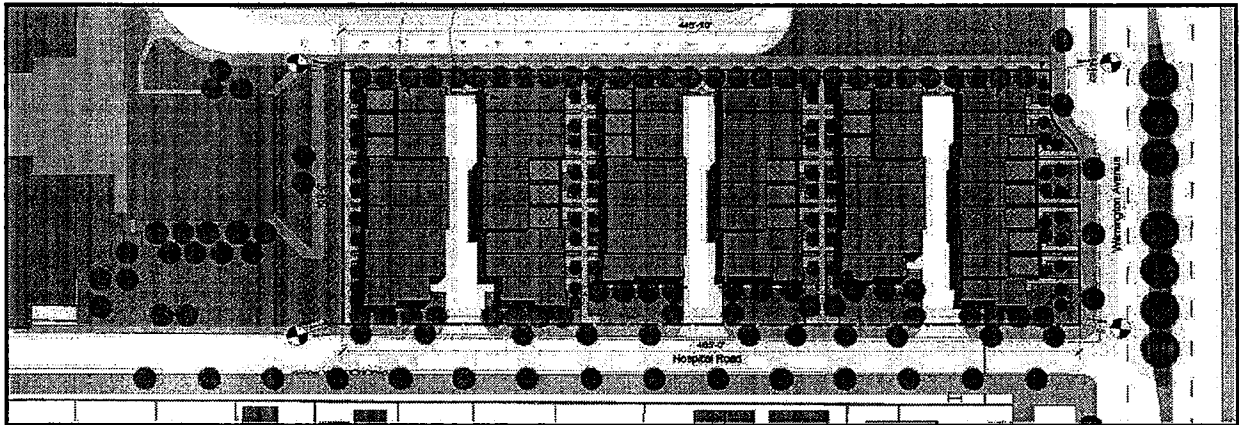
Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY

The proposed program is 51 townhouse units on a site of approximately 74,000 square feet.

The text table below and the site plan that follows provide a useful review of the key physical characteristics of the proposed development.⁵

Willowbrook Program Summary			
Site		Building and Parking	
Site Area (sf)	73,654 sf	Building Type	Attached TH
Assumed Zoning	R3	Unit Type	1,2,3 BR
Net Saleable Area (sf)	68,805 sf	Units	51
Site Coverage Ratio	0.93	Unit size (range, sf)	930 to 1,605
		Unit size (average, sf)	1,349
Construction Costs		Parking	
Total	\$13,011,401	(tuck-under w/scissors lift)	102
Total/DU	\$255,126		

MLK/Willowbrook Site Plan



⁵ After completion of the initial cost analysis based on traditional documented sources, the consulting team was asked by the client to further explore anecdotal evidence of project cost through consultation with informed developers. This investigation confirmed the general accuracy of the Athens project costs but found that Willowbrook costs, under certain specialized conditions, could be reduced. One developer suggested that direct costs could be reduced from the \$97 per square foot used in this analysis to \$63 by assuming the scale economies brought by a large merchant builder, the use of a flat roof, and reduced levels of insulation and separation between units. This lower estimate was not considered in the formal presentation, as this assignment was scoped to test feasibility using systematically reproducible methods. Nonetheless, the potential for reduced Willowbrook costs is discussed below in the section on "Implications for County Decision-Making."



Memorandum

Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND MLK/MACC COUNTY HEALTH FACILITY

As seen on the site plan, there is an opportunity to create a fairly inviting layout that provides both unit separation and a modicum of privacy for home owners.

In this instance, the design plan accommodated townhouse units rather than stacked flats while still achieving acceptable economic density. This is accomplished in part through the use of an innovative scissors-lift parking system, which provides two spaces per unit over the parking footprint of one. This relatively low-cost technology (estimated at \$7,500 per space) has been successful elsewhere in California, notably in several apartment projects in Berkeley.

FEASIBILITY CALCULATIONS

Three core inputs were used to establish financial feasibility of the programs described above.

- Establishment of a reasonable target **price per unit**, based on observed area pricing and analysis of affordability among surveyed employees indicating interest in this type of housing.
- Calculation of **direct construction costs** by URBAN STUDIO as part of the preliminary concept design.
- Utilization of these direct construction costs in calculating **total development costs** by READI, based on site-specific fees and allowances for additional development costs.

Athens Site

The target average base price for the Athens site is \$251,000 in 2010 dollars, or \$242 per square foot. This represents the average price per square foot for the neighborhood in 2004, as shown in the chart on the next page⁶.

While the base price represents a premium over the most recent observed price, it seems a reasonable basis for new units coming onto the market within the next 2-to-3 years, assuming market recovery beginning in 2011.

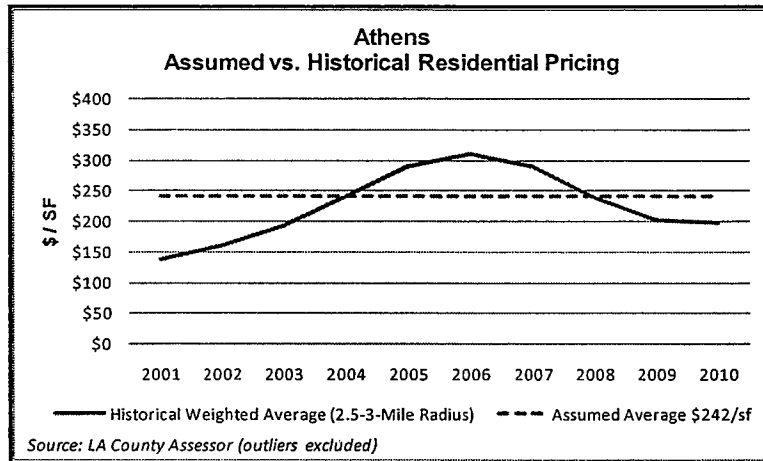
The total development cost of units at the Athens site, before developer profit and overhead, will be approximately \$279,000. Adding 10% developer profit and overhead brings the projected total development cost to approximately \$307,000, or \$297 per square foot.

⁶ For discussion of using 2004 pricing as a benchmark, please refer to Attachment D, page 4.
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Allan D. Kotin & Associates



Memorandum

Re: **FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND MLK/MACC COUNTY HEALTH FACILITY**



The fully realized average sales price is projected at \$283,000. Average price per unit for actual total sales exceeds the base price due to the inclusion of view premiums, location premiums, and upgrades. These forms of increased revenue are common in new housing sales and do not modify the base pricing. As seen in the chart below, the combination of a \$307,000 cost and a \$283,000 average sale price create a negative residual land value or “loss” of approximately \$25,000. This differential may not pose an insurmountable obstacle particularly if there is no need to provide a land return, as value engineering and price increases could bridge a gap of 8% of total cost.⁷

Athens Revenue and Cost Summary			
	Project	Per Unit	Per NSF
Revenues			
Base Sales Price	20,598,000	251,195	242
Premiums and Options	2,574,750	31,399	30
Total Sale	23,172,750	282,595	273
Costs			
Pre-Development Costs	250,000	3,049	3
Land Development	711,875	8,681	8
Vertical Hard Costs and A&E	16,388,379	199,858	193
Other Project Costs	5,541,927	67,584	65
Subtotal Project Costs	22,892,181	279,173	269
Developer Fee & Profit	2,317,275	28,259	27
Total Project Cost	25,209,456	307,432	297
Residual (Raw) Land Value	(2,036,706)	(24,838)	(24)

⁷ Please note prior comment regarding prevailing wage premium on p.4. This reflects a persistent problem in the current market where replacement costs for unsubsidized middle-income units are higher than market prices.



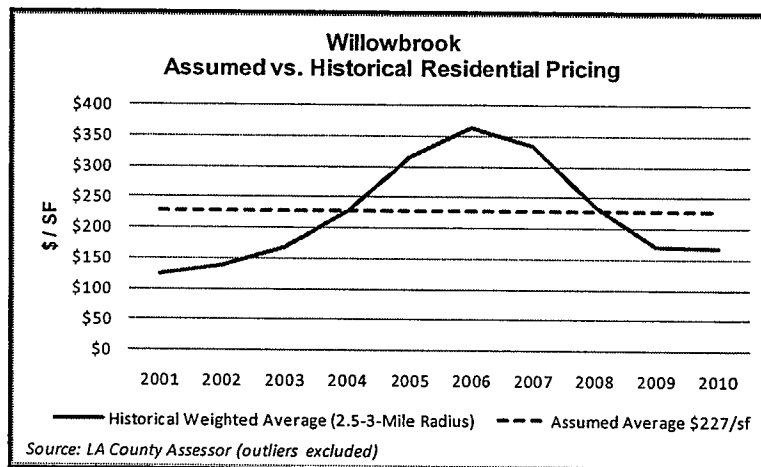
Memorandum

Re: **FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY**

Note that a 10% factor for developer profit and overhead is conservative, as a speculative for-profit developer would expect a 15-20% profit margin above a 3-5% overhead cost. Only by assuming units are presold is such a low factor rational.

MLK (Willowbrook) Site

As in the case of the Athens site, the READI analysis of unit pricing for the Willowbrook site is based on observed sales within a 2.5-3-mile radius area. In this instance, the resulting calculation shows an average price of \$306,000 or \$227 per square foot, which corresponds roughly to historical pricing in 2004. This area has been subject to more price volatility than the Athens site, but because of its general soundness and proximity to MLK, the consulting team believes higher prices will be maintained.



As with the Athens site, Willowbrook site pricing is affected by the presence of premiums and options. Together, these features increase the price from \$306,000 to approximately \$344,500, or \$256 per square foot.

Large unit size results in higher costs compared with the Athens site. Total unit cost, before allowance for developer profit and overhead, is approximately \$336,000. Adding developer overhead and profit allowance equivalent to 10% of sales price brings total unit development cost to approximately \$370,000.



Memorandum

Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY

Willowbrook Revenue and Cost Summary			
	<u>Project</u>	<u>Per Unit</u>	<u>Per NSF</u>
Revenues			
Base Sales Price	15,630,000	306,471	227
Premiums and Options	1,953,750	38,309	28
Total Sale	17,583,750	344,779	256
Costs			
Pre-Development Costs	250,000	4,902	4
Land Development	337,330	6,614	5
Vertical Hard Costs and A&E	12,424,071	243,609	181
Other Project Costs	4,122,438	80,832	60
Subtotal Project Costs	17,133,839	335,958	249
Developer Fee & Profit	1,758,375	34,478	26
Total Project Cost	18,892,214	370,436	275
Residual (Raw) Land Value	(1,308,464)	(25,656)	(19)

Comparing the all-in cost of \$370,000 to the average realized sale price of \$344,500 creates a negative land value or loss of approximately \$25,500 per unit. Again, value engineering and price increases may well overcome the “gap” representing approximately 7% of total costs (again, without any value attributed to land).

A Note on Residual Value

In both the Athens and Willowbrook analyses, the discussion of residual value and potential “loss” considers only the comparison of sales price and costs. This ignores participation in profits from future turnover unit sales and income from condominium monthly fees (net of expenses). These generally minor sources of additional income are considered supplemental and not intended to make up for initial shortfalls. Their contribution is calculated in the extended financial analysis by READI, LLC and summarized in Attachment D. This analysis shows that, even after thirty years with assumed annual appreciation of 3% per year, shared appreciation payments do not compensate for the initial deficit created by costs that exceed sale price.

EMPLOYEE SURVEY FINDINGS

As a part of its feasibility evaluation, READI conducted an online survey open to approximately 1,200 County employees who work at the Department of Health Services at the Willowbrook site and 513 County employees at the Sheriff’s Department at or near the Athens site. The survey was voluntary, but County department representatives helped administer the survey by soliciting employee participation. Although there is a Probation Department facility adjacent to the Athens



Memorandum

Re: **FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY**

site, management of the Probation Department opted out of the survey on the premise their employees would not want to live at a location generally accessible to their clients.

Of the 1,700 employees invited to participate, 214 actually responded based on the observed pricing of the housing, but only employees with a household income in excess of \$60,000 were considered as “target” population for the survey. The actual tabulation of responses is shown below.

Employee Survey Responses

	Willowbrook	Athens	Total
Survey Pool	1,200	513	1,713
All Respondents	137	87	214
	11%	17%	12%
Target Repondents	46	34	80

The following summarizes the findings of the survey which, given the small sample size, should be considered at best an indicator and in no way conclusive.⁸

Affordability and Inferred Unit Pricing

For the Willowbrook site, the target respondents reported household median income of \$80,000-\$90,000, suggesting pricing that could be set as high as \$340,000.

For the Athens site, the smaller group of target respondents reported slightly higher median household income of \$90,000-\$100,000, suggesting possible pricing of \$380,000.

Attitudes on Type and Financing of Housing

About half the respondents indicated a preference for townhouses over stacked flats. A narrow majority found the notion of homeownership on a ground lease unacceptable, and a minority stated they need more information about the concept. (Note: this response indicates that any program going forward with this concept will require significant outreach.)

There was considerable resistance to the idea that the homeowner would have to sell within one-to-five years of moving or retiring from County employment.

⁸ Please refer to Attachment E for the Survey Report
WorkforceHsgFeasibilityat2LACntySites012111.docx
Allan D. Kotin & Associates



Memorandum

Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY

Other Characteristics

Among Willowbrook respondents, the average monthly housing cost is currently between \$1,750 and \$2,000, while for Athens it is slightly higher at between \$2,000 and \$2,250.

County employees in the target group generally have tenure of greater than six years.

The median one-way commuting distance is 8-to-10 miles for both sites, and the median commuting time is 20-to-30 minutes for Willowbrook and 30-to-45 minutes for Athens.

IMPLICATIONS FOR COUNTY DECISION-MAKING

Considered strictly as a demonstration of current feasibility, this analysis provides a mixed result. On one hand, the surveys suggest the concept of employer-assisted housing appeals to a meaningful subset of County employees. On the other hand, even with a significant increase from current prices, the estimated cost of development exceeds the obtainable price.

However, the 7-9% margins of projected cost over projected price are fairly small. Furthermore, a range of factors suggest that the economic climate in this area may improve, due in part to major County expenditures for economic development and medical facility improvements.

In view of the relatively modest cost reduction or price increase necessary to achieve minimum feasibility, the consulting team recommends that the County proceed with a solicitation of interest from the development community.

Several important issues should be considered prior to issuing a request for qualifications (RFQ) or request for proposal (RFP). The survey sample is small and excludes other public employees in the vicinity who may have shown different preferences than those expressed by the employees at the Athens or MLK facilities. Accordingly, it may be appropriate to undertake a new and broader survey before issuing an RFP.

A more critical consideration is the form the solicitation should take, whether an RFQ followed by an RFP or an RFP solely. Employer-assisted housing on ground leases, as considered here, has limitations for the developer and homeowner, which must be made explicit in any solicitation:

- No public subsidy is contemplated.
- No guarantee of purchase by County employees. Notwithstanding this risk, the developer must follow a prescribed sequence in first offering the units for sale to County employees



Memorandum

**Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY**

- The ground lease terms must be made clear to prospective purchasers, most notably the limited prospects for appreciation, the priority given upon sale to eligible participants, and the limitations on continued ownership if County employment ends.
- The County expects to realize meaningful return from shared appreciation in lieu of ongoing ground lease payments.

Employer-assisted housing on ground leases with limited transferability has proved viable in other situations, but there are other concepts that may be applicable as well, including but not limited to affordable low-moderate income housing, mixed-income housing using tax-exempt financing, and market-rate rental housing.

NEXT STEPS

The consulting team recommends that the County consider initiating a solicitation process to ascertain developer interest in pursuing the employee-assisted housing concept analyzed in this report.

One of the several decisions to be made before initiating the process is whether to limit the solicitation to employer-assisted ownership housing on ground-lease land or to include other housing options as well. Other items to be considered in connection with the solicitation process include the following.

RFP vs. RFQ followed by RFP: The County should decide whether to use a one-step request for proposal process (RFP) or a two-step process involving first a request for qualifications (RFQ), which could include a conceptual design and proposal, followed by an RFP. If the focus of the solicitation is narrow, i.e. only employer-assisted ownership housing on a ground lease, there is probably little advantage to the two-step process. If the purpose is to explore other housing options, a two-step process may be preferred since the County can solicit a wide range of conceptual responses at the RFQ stage and then narrow its focus—perhaps on some variation of the program not yet identified—in the subsequent RFP effort.

Expanded Eligibility and Additional Survey Efforts: During the study, there was speculation that other County employees besides those employed at the sites would be interested in this housing concept. The County may want to identify such employees and expand the initial pool of offerees.



Memorandum

Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY

Since only a portion of the onsite employees were surveyed,⁹ and also because the ultimate sample was small, the County may wish to undertake another expanded survey to determine the preferences of the additional employees and further confirm results described in this report.

Resolution of Procedural Considerations: If the County plans to proceed with this program, it should identify the process for solicitation and disposition. Because both the real estate division of the CEO's office and the Community Development Commission are involved in disposition of County property, a determination is needed as to which of the two should supervise the process. Substantial precedent exists for the CEO real estate division managing acquisition and disposition of County property while, at the same time, CDC's charter specifically includes affordable housing (which, though different from employer assisted ownership housing, has some common elements).

Incorporation in Any Solicitation of Background Information from this Report: The consultants also recommend that, if an RFQ or an RFP is to be issued, the analysis underlying the preliminary site plans be shared as part of the RFP. (It should be strongly noted in the solicitation document that these site plans and programs are merely examples and not intended to prescribe a particular design or plan.) Much of the background material in the URBAN STUDIO report would have value in any such RFP¹⁰. Some of the financial information and analysis in Attachment D and the supplemental READI material may also prove useful in evaluating responses to the RFP, although it should not be part of the solicitation.

⁹ At the request of the Probation Department, probation employees at the Athens location were not included in the survey on the premise there would be potential disadvantages to probation personnel living in their service areas.

¹⁰ The relevant URBAN STUDIO reports include:

- Attachment B (Los Angeles County Athens Sheriff's Station & Probation Department Site Workforce Housing Study Concept Design & Opinion of Probable Cost Report) and
- Attachment C (Los Angeles County Willowbrook MLK/MACC Site Workforce Housing Study Concept Design & Opinion of Probable Cost Report)



Memorandum

**Re: FEASIBILITY OF COUNTY WORKFORCE HOUSING AT THE ATHENS SHERIFF STATION AND
MLK/MACC COUNTY HEALTH FACILITY**

ATTACHMENTS

Attachment A: Workforce Ownership Housing for Middle-Income Los Angeles County
Employees on Underutilized Land

(A brief narrative summary)

Prepared by READI, LLC

Attachment B: Los Angeles County Athens Sheriff's Station & Probation Department Site
Workforce Housing Study Concept Design & Opinion of Probable Cost Report

(Narrative, cost analysis, site plan)

Prepared by URBAN STUDIO

Attachment C: Los Angeles County Willowbrook MLK/MACC Site Workforce Housing Study
Concept Design & Opinion of Probable Cost Report

(Narrative, cost analysis, site plan)

Prepared by URBAN STUDIO

Attachment D: Feasibility Analysis of Workforce Ownership Housing for Middle-Income Los
Angeles County Employees

(Narrative and summary feasibility calculation)

Prepared by READI, LLC

Attachment E: Employee Survey Report

(Narrative with Summary Tables)

Prepared by READI, LLC

Workforce Ownership Housing for Middle-Income Los Angeles County Employees on Underutilized County Land

Program Summary by Allan Kotin and Ehud Mouchly

1) What is Middle-Income Workforce Housing

- a) Many middle-income families cannot afford housing near their employment. National generic standard for middle-income "workforce housing" is incomes between 80-120% of AMI, with locational variations. e.g., SCAG standard for the LA Westside is 80%-180% of AMI; LAHD is 80%-150% of AMI
- b) One solution to this affordability crisis is development of employer-assisted housing on leased land. In this case housing is developed on land leased from employer who accepts a deferred return on its value
- c) The employer-landowner can prioritize eligibility of employees / home buyers (ground lessees) by employment categories, income levels, or by other criteria – exempt from Fair Housing regulations
- d) Eligibility criteria survive resale, thereby assuring that the unit stays as workforce housing in perpetuity

2) Benefits to the County from Workforce Housing Development on Leased Land

- a) As Landowner / Lessor:
 - i) Productive use/reuse of underutilized land, accomplishing economic and social purposes
 - ii) Land lease income, either current and/or capitalized
 - iii) Total control over entitlements and development program
 - iv) Self-financed project construction program, secured by leasehold subordination and builder guarantees without cash requirements from County
 - v) Control over unit prices, appreciation allowance and resale process
 - vi) Control over CC&R's and ongoing property management
- b) As Employer:
 - i) Attraction and retention of valued employees who cannot afford housing near their job (application of universal criterion of home price at 4 x income)
 - ii) Increased productivity from reduction in commuting-induced fatigue
- c) Public safety and security:
 - i) Bringing first responders and emergency workers closer to their workplace
- d) Economic development; sustainable development; social purpose:
 - i) Elimination of long distance commuting enhances the community at either end of the commute
 - ii) Reduction in freeway congestion and pollution
 - iii) Return of the middle class to the urban core
 - iv) Integrating the workforce as stakeholders in the local community

3) Benefits to County employees and other eligible County-approved homeowners

- a) Below-market rate purchase price for market quality housing
- b) Conforming FannieMae and CalHFA mortgages approved for housing on ground leases – permitted high loan-to-value ratios
- c) Increased disposable income from lower transportation and car insurance costs; Higher mortgage qualifying ratios with "smart commute" mortgages
- d) Tax deduction for mortgage interest on primary residence
- e) Tax deduction for possessory (property) taxes
- f) Lower almost-fixed occupancy cost of the for-sale home vs. ever-increasing rents
- g) Investment value protection - compared to outlays for rents – upon resale at original price plus inflation adjustment: Recapture of initial investment plus increases from mortgage amortization plus recapture of assessed value of capital improvements to the residence
- h) Lower wear and tear on body and mind from long commutes; more time with family

**Los Angeles County
Athens Sheriff's Station &
Probation Department Site
Workforce Housing Study
Concept Design
&
Opinion of Probable Cost
Report**

November 29, 2010 (12/29/10 Revision)

prepared for

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URBAN STUDIO

Los Angeles County Athens Sheriff's Station / Probation Department Site Workforce Housing Concept Design and Opinion of Cost Analysis

SUMMARY

From a design perspective, site observation, and based upon documents provided by the County of Los Angeles, workforce housing, or a multi-family housing type, can be realized on a portion of the Athens Sheriff's Station/Probation Department site south of the Probation building and west of the southern parking lot that serves the Sheriff's station. Analysis indicates that a maximum yield of 82 "stacked flat" dwellings on two floors over subterranean parking can be provided by utilizing an R-3 zoning that permits 30 dwelling units to the acre. Stacked flat construction, though more expensive than townhouse construction, is used to realize the maximum yield, which is otherwise constrained by a lesser buildable area footprint delimited by seismic and helicopter landing zone constraints associated with the site. The one, two, and three bedroom unit concept design provides for site landscaping and common open space amenities. Development on this site will potentially have to consider additional costs related to over excavation and recompacting of existing fill, as well as additional mitigation measures associated with sound attenuation due to the proximity of the Sheriff's helicopter landing pad.

BACKGROUND

URBAN STUDIO was asked to develop a workforce housing design concept and opinion of construction cost for a vacant Los Angeles County owned site immediately adjacent to the County Probation Department and Athens Sheriff's Station. Based upon a review of zoning and site constraints and opportunities, attached is a design concept diagram and construction cost analysis for utilization of the site.

URBAN STUDIO has undertaken the following tasks with regard to the preparation of this concept diagram and cost analysis.

- Site visit to observe existing site conditions
- Review of a site survey as provided by Los Angeles County
- Review of geotechnical reports and associated constraints as provided by Los Angeles County
- Review of constraints associated with the adjacent helicopter landing facility utilized by the Sheriff's Department
- Review of existing zoning and a capacity analysis
- Development of a concept diagram for site development incorporating input from Allan D. Kotin & Associates and READI
- Development of opinion of probable cost of the concept utilizing base cost criteria from the 2010 edition of RS Means Square Foot Costs

SITE OBSERVATIONS

The subject site is an approximate 2.75-acre portion of a larger parcel of land that is occupied by a Sheriff's Station and the Probation Department in two separate facilities, and associated surface parking and internal roadways and drives. The subject site is "T" shaped with the leg of the "T" pointing south towards a boundary that fronts the I-105 Century Freeway. The site incorporates approximately 225' of frontage along Normandie Avenue. To the west and across this street are small one and two story multi-family apartment buildings. Immediately to the south of the site and fronting Normandie Avenue is another two-story multi-family apartment structure.

To the north of the site, a drive provides access to the Probation Department parking lots. To the east of the project site are surface parking lots utilized by the Sheriff's Department. To the southeast of the site, tucked within the legs of the "T" is a heliport utilized by the Sheriff's Department.

The intersection of Normandie Avenue with Imperial Boulevard is approximately 500' north of the project site. Small neighborhood-serving retail businesses are clustered about this intersection. To the west of the project is the campus of Los Angeles Southwest College. North of Imperial Boulevard are single-family and multi-family residential streets.

A Green Line Metro Station is located within the I-105 Freeway right-of-way, where it crosses Vermont Boulevard, a walking distance of approximately three-quarters of a mile from the site. Four bus lines serve the area from bus stops located at the intersection of Imperial and Normandie 500' north of the site; Line 120 with local service east to west with service to LAX Aviation Station to the west and Willowbrook to the east; Line 206 with local north south service connecting the Green Line Vermont Station to the south with Hollywood to the north; Line 209 with local north to south service connecting Mid-Wilshire to the north with the Vermont Green Line Station to the south generally running along Wilton, Arlington, and Van Ness; Line 2 of the Gardena Bus Service connecting Pacific Coast Highway and Torrance to the south with Imperial Highway and the Green Line Stations at Vermont to the north.

The site is generally flat with a shallow cross slope that falls southward across the site.

REVIEW OF REPORTS AND DOCUMENTS

URBAN STUDIO reviewed the following reports and documents provided by Los Angeles County.

1. 12/8/06 Helistop Layout Plan prepared by Heliplanners
2. 2/16/06 Report of Geotechnical Investigation, Proposed Athens Sheriff's Station prepared by MACTEC Engineering and Consulting
3. 3/22/06 Report of Geotechnical Investigation, Proposed Centinela Area Probation Office Replacement Project prepared by MACTEC
4. 3/30/06 Report of Fault Rupture Hazard Investigation, Proposed Athens Sheriff Station and Centinela Probation Office prepared by MACTEC
5. 7/3/07 Supplemental Geotechnical Borings, Proposed Athens Sheriff's Station prepared by MACTEC

A review of these documents indicates the following:

1. The "T" shaped site has an approximate 100' wide fault hazard zone trending southeast to northwest across the eastern portion of the "T". This fault hazard zone is identified in a report prepared by MACTEC dated March 30, 2006 that describes it as a recommended "building setback for structures at the site". Existing and prospective buildings on the site observe this setback. Assuming this setback is observed on the subject parcel, approximately 1/2 acre of the site cannot be built upon.
2. MACTEC's reports indicate that fill soils from 4' to 17' in depth were found to the immediate north of the proposed Athens workforce housing site. Fill soils from 5' to 8' were found in the vicinity of the heliport located immediately east of the site. It should be assumed that soils from 5' to 17' within the workforce housing site will need to be removed and/or recompacted to accommodate building foundations. Additionally, the reports indicate that up to 2' of soil will need to be removed and/or recompacted beneath slabs, walks, and retaining walls. These same conditions should be assumed within the subject site that is the focus of this analysis.
3. The existing approximate 60' X 60' heliport is located immediately adjacent to the proposed workforce housing site. Per a drawing prepared in November 2005, the heliport is designed to accommodate Sikorsky SH-3H helicopters with an approximate east west approach and departure path that is located directly over the approximate 235' long leg of the "T" shaped site. Vertical obstructions are generally not permitted within a radius of 71' of the center of the helipad which is

in turn raised approximately 10' above grade. Helicopters approaching and/or departing from the heliport do so at either a 2:1 transitional angle from the horizon or an 8:1 approach and departure angle from the horizon. Utilizing these angles and the proposed flight path generally does not permit the location of structures in the vertical leg of the "T" due to clearance issues. Additionally, it should be assumed that helicopter noise will impact housing located this close to an existing heliport. Noise and vibration will need to be considered both in terms of the livability and the marketability of housing that may be built on the site. An option to move the helipad to the east within the boundaries of the Sheriff's Station was discussed in concept. If the heliport is moved to the east, existing residential to the east of the Sheriff's Station will have increased noise impacts that will need to be considered in relationship to any impacts associated with the existing heliport location.

Notwithstanding the fault rupture and present location of the helipad, URBAN STUDIO, for the purposes of analysis only, assumed that a project could be built on the subject site with mitigation measures assuming that, 1) significant fill will be removed from the site above and beyond what is normally encountered in projects of this type, 2) a significant amount of certified compacted fill will be provided to allow for the use of spread footings, 3) this additional excavation and fill will impact the cost model developed for the study, 4) no hazardous materials will be encountered at the site nor need to be mitigated, and 5) the presence and use of the adjacent helipad will limit the height of proposed structures on the site to 25' above grade and that mitigation measures in the form of high-quality windows and other acoustic and vibration treatments will be utilized that will impact the cost model developed for the study.

Notwithstanding the above findings, a full due diligence of soil and site conditions must be conducted before proceeding with an actual project.

REVIEW OF EXISTING ZONING AND CAPACITY ANALYSIS

The site is zoned C-2. County of Los Angeles zoning limits residential development at C-2 sites to single-family residences and duplexes. Across Normandie Avenue to the west are multi-family units on R-3 zoned land. To the south is an additional property zoned R-3.

Given the intensity of surrounding residential uses, and given that the C-2 zone is not supportive of multi-family housing uses, the consultant team determined that the R-3 zone should be utilized rather than the C-2 zone. This zone allows a maximum of 30 dwelling units per acre. Given the approximate 120,120 GSF/2.76 acre size of the "T" shaped parcel, and irrespective of constraints as noted above, approximately 82 dwelling units could be placed on the site assuming a variance to modify the zoning is obtained. In this case, the intensity of residential uses with the R-3 designation would be compatible with and equivalent to surrounding intensities of residential use.

Further analysis of residential housing types in relationship to density allowances (30 dwelling units/acre), site constraints as noted above, and the maximum potential unit yield given the overall size of the parcel (82 dwelling units), indicates that the maximum number of dwelling units per the R3 zoning could be achieved on the buildable area of the site with Type VB fully-sprinklered stacked-flat construction over Type 1A subterranean or semi-subterranean fully-sprinklered construction.

CONCEPT DESIGN

Per the above findings, URBAN STUDIO developed a concept design utilizing Type VA fully-sprinklered stacked-flat construction over Type 1A semi-subterranean garage fully-sprinklered construction. The concept design, as illustrated in Attachment A, consists of two floors of units typically deployed along double-loaded corridors and opening onto two courtyards, one opening to Normandie Avenue that provides entry to the project, and one internal to the project mass. The mix of units is as follows:

Unit Mix	DUs	%	AVG. SF	
1 BR DUs Provided	27	33%	910	GSF/DU
2 BR DUs Provided	28	34%	1000	GSF/DU
3 BR DUs Provided	27	33%	1200	GSF/DU

The design is oriented towards Normandie Avenue and thereby separated from the comings and goings of the Probation Department facility to the north and the Sheriff's Station to the east. Access to residential parking is from Laurel Street to the south of the project. A project drive extends west from Laurel, turns north to proceed through a secured at-grade guest parking area, and then loops back to the west and down to the semi-subterranean parking level. Portions of the site that are constrained by either the identified fault zone or the adjacent helipad are not built upon and are assumed to be either utilized as guest parking or, adjacent to the helipad, passive green space.

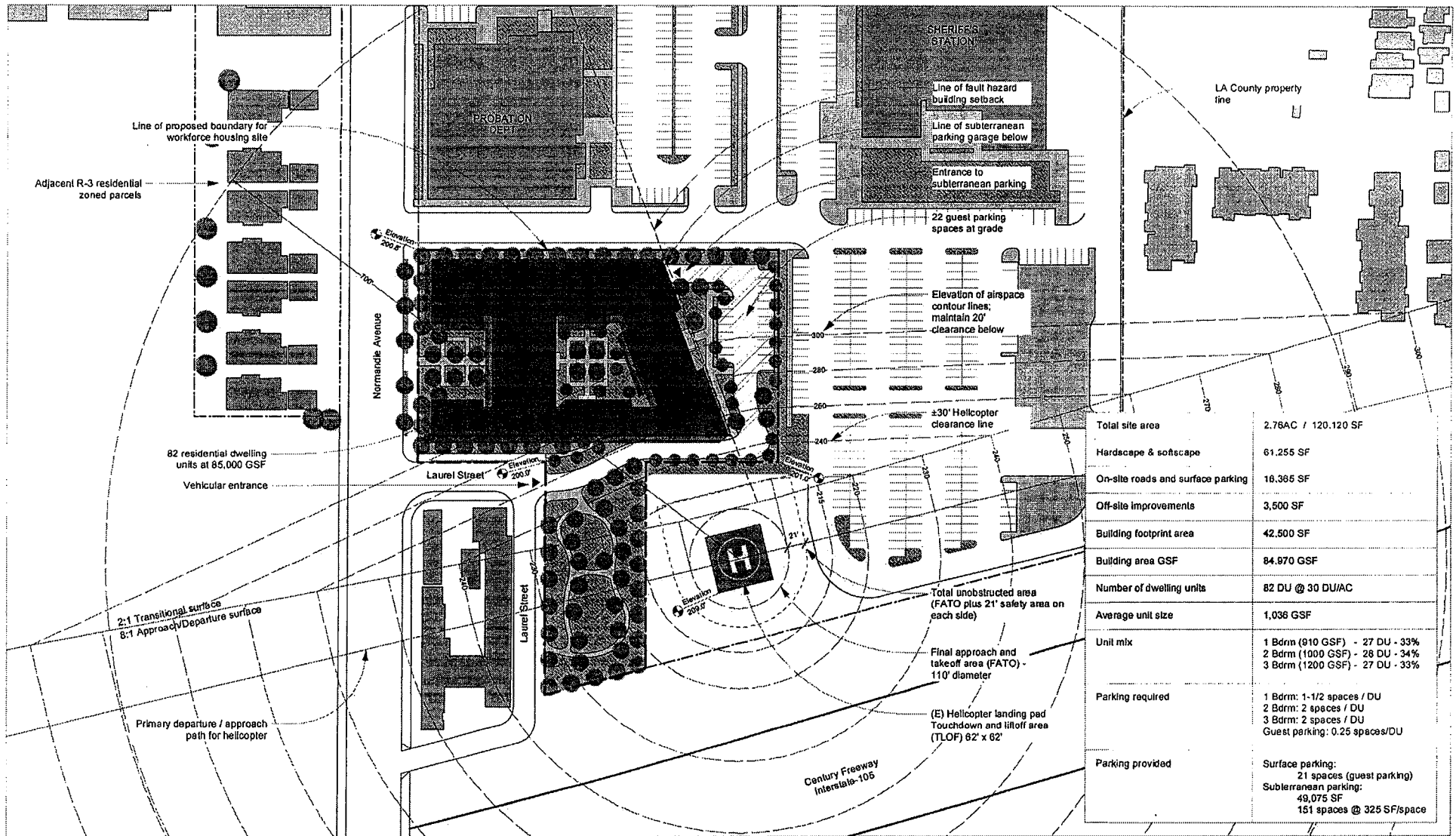
Parking is provided in the semi-subterranean level at a ration of 1.5 spaces per one-bedroom unit and 2.0 spaces for all additional unit types. Based upon the unit mix, a total of 151 spaces is provided in the semi-subterranean structure below the residential levels. Some of the two-bedroom units are assumed to utilize tandem parking. Guest parking at a rate of .25 spaces per unit is surface parked to the east of the building. While further reductions in parking below code requirements could be considered as a means of saving construction costs, they were not utilized given the generally low-density surrounds which are auto-dependent, the target market which is professional and semi-professional, and the walking distance to the Metro Green Line, a little more than 1/2 mile. Alternatively, construction costs could also be reduced by providing more of the parking spaces at grade with or without carport shelters. This alternative was not utilized as non-protected surface parking is generally not seen in market-oriented projects.

OPINION OF PROBABLE COST

Based upon the concept design URBAN STUDIO developed an opinion of probable cost per the attached exhibit. Base costs for construction were referenced from the 2010 edition of R.S. Means Square Foot Costs. Per Means, a modest location multiplier for Inglewood, California was incorporated into costs. Additionally, costs were noted as with and without use of prevailing wages. The following premiums were also ascribed to the project:

1. A premium to over-excavate and re-compact soils on the site.
2. A premium for noise and vibration associated with the adjacent helipad.

Based upon comments received from County staff and Information obtained from developers that reviewed the cost assumptions developed for the Athens site, no disparities between the model and field information was noted and therefore no range of costs was further developed.



Athens Sheriff's Station and Probation Department Site
LOS ANGELES COUNTY WORKFORCE HOUSING STUDY

Attachment B

11/29/10

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Los Angeles County Workforce Housing Study
Athens Sherriff's Station and Probation Department Site
Preliminary Opinion of Cost

URBAN STUDIO

ASSUMPTIONS

Program Workforce housing	
Site Area	120,120 GSF
Existing Zoning	C-2 SFD & duplex only allowed
Adjacent Zoning	R3 to south of site
Zoning Designation Equivalent	R3
DU/Acre/Zoning Equivalent	30 DU/acre
Site Area After Dedication	120,120 GSF; assume no site dedications
Maximum DU allowed/zoning analysis	82.7
Maximum DU Provided	82.0 assumes no bonus units
1 BR DUs Provided	27 33% 910 GSF
2 BR DUs Provided	28 34% 1000 GSF
3 BR DUs Provided	27 33% 1200 GSF
Average DU Size	1036 GSF
Parking Required/1-BR DU	1.5 per DU
Parking Required/2-BR DU	2.0 spaces
Parking Provided Total	151 spaces
Guest Parking Required	0.25 per DU
Guest Parking Provided	21 spaces
Construction Type (apartments)	VA fully sprinklered
Construction Type Garage	IA fully sprinklered
Building Footprint Total	42,500 GSF
Dwelling LSF	84,970 SF
Garage Area	49,075 SF
Hardscape & Softscape	61,255 SF
Driveways	16,365 SF
Off-site Improvements	3,500 sidewalk, curb, & gutter only

OPINION OF COSTS

	SF	\$/SF	DU \$s	
Dwelling Area	84,970	\$ 96.88	\$ 8,232,212	based upon R.S. Means for Average Residential Construction (2011, p. 30) allowance
Garage Area	49,075	\$ 47.28	\$ 2,320,483	
Site Hardscape & Softscape	61,255	\$ 10.00	\$ 612,550	
Site Driveways	16,365	\$ 5.00	\$ 81,825	
Off-site Improvements	3,500	\$ 5.00	\$ 17,500	allowance
Base Construction Cost			\$ 11,264,570	
Location Factor			\$ 1.01	
Base Cost w/Location Factor			\$ 11,377,216	
Prevailing Wage Contingency	of base cost	20%	\$ 2,275,443	
Construction Contingency	of base cost	7.5%	\$ 853,291	includes contingency for overexcavation and conditional acoustic treatments
GC (O&P) & A & E (%)	of base cost	25%	\$ 2,844,304	
Construction Cost w/Prevailing Wage			\$17,350,254	
Construction Cost w/o Prevailing Wage			\$15,074,811	
Construction Cost/DU w/Prevailing Wage			\$ 211,588	
Construction Cost/DU w/o Prevailing Wage			\$ 183,839	

NOTES

- 1 Base construction costs include sprinklers and premium for additional site work related to overexcavation and use of high quality windows to reduce noise gain

Los Angeles County Workforce Housing Study
Athens Sherriff's and Probation Site
Preliminary Opinion of Cost

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COST ASSUMPTIONS ABOVE-GRADE

	DUs	SF	GSF	
Average	27	910	24,570	1-BR
Unit	28	1000	28,000	2-BR
Size	27	1200	32,400	3-BR
	82	1,036	84,970	
AVG				
Total GSF	84,970			
\$/SF				
Base Cost	\$	128.82	blended cost from R.S. Means 2010, M.010	
Perimeter Adjustment	\$	13.50	per R.S. Means 1350 allowed. vs. 1615 actual	
Less Substructure	\$	(3.43)	included in M.280	
Appliances	\$ 2,200	\$ 2.12	assume range, dishwasher, & disposal	
Security	\$ 12,500	\$ 0.15	assume 10 camera system	
Add. Elevators.	\$ 65,000	\$ 0.76	assume one add. elevator	
Emergency. Lighting.	\$ 10,000	\$ 0.12	per R.S. Means	
W/D	\$ 1,250	\$ 1.21	per R.S. Means	
Smoke Detectors	\$ 115,000	\$ 1.35		
	\$/SF	\$ 144.60	detached	
	\$/SF Less GC & A & E	\$ 96.88	33%	

COST ASSUMPTIONS BELOW-GRADE

Total GSF		49,075	
		\$/SF	
Base Cost	\$	79.95	cost from R.S. Means 2010, M.280
Perimeter Adjustment	\$	7.50	per R.S. Means 650 allowed. vs. 1000 actual
Less Roof	\$	(11.76)	included in M.010
Less Roof Covering	\$	(2.15)	included in M.010
Less fans	\$	(0.16)	
Less Elevator.	\$	(1.58)	per R.S. Means
Less Plumbing	\$	(1.43)	per R.S. Means
Gate	\$ 10,000	\$ 0.20	per R.S. Means
		\$/SF	\$ 70.57 detached
\$/SF Less GC & A & E		\$ 47.28	33%

Location Factor 1.01 Inglewood/R.S. Means

**Los Angeles County
Willowbrook MLK/MACC Site
Workforce Housing Study
Concept Design
&
Opinion of Probable Cost
Report**

November 29, 2010 (12/29/10 Revision)

prepared for

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URBAN STUDIO

Willowbrook MLK/MACC Workforce Housing Design and Opinion of Cost Analysis

SUMMARY

From a design perspective, site observation, and based upon documents provided by the County of Los Angeles, workforce housing, or a multi-family housing type, is a suitable use for the redevelopment of an existing parking lot located to the southeast of the Martin Luther King hospital site at the intersection of Wilmington Avenue and an existing site access road. Analysis indicates that 51 attached townhouse dwellings can be provided utilizing an R-3 zoning that permits 30 dwelling units to the acre. This yield, utilizing the R-3 zoning in lieu of the present commercial zone designation, can be realized by incorporating residential mechanical lifts at garages and providing guest parking off-site at hospital facilities. The one, two, and three bedroom unit concept design provides for extensive landscaping, separate residential identity related to existing residential uses, and common open space amenities. Development on this site will potentially have to consider additional costs related to over excavation and recompacting of existing fill.

BACKGROUND

Attached is a site concept diagram and opinion of construction cost regarding the Los Angeles Workforce Housing Study at the Willowbrook MLK/MACC site.

URBAN STUDIO undertook the following tasks with regard to the preparation of this concept diagram and cost analysis.

- Site visit to observe existing site conditions
- Review of a site survey as provided by Los Angeles County
- Review of geotechnical reports as provided by Los Angeles County
- Review of existing zoning and a capacity analysis
- Development of concept diagram for site development incorporating input from ADK & Associates and READI
- Development of opinion of "probable" cost of concept utilizing base cost criteria from the 2010 edition of RS Means Square Foot Costs
- Development of "best case" cost of concept utilizing base cost criteria provided by a merchant builder.

SITE OBSERVATIONS

The site is located to the southeast of the existing Martin Luther King hospital complex and is presently used as a surface parking lot. To the east across Wilmington Avenue are multi-family residences. To the south across a hospital service drive are single-family residences. To the west is the hospital complex, and to the north is a several acre large entry green incorporating an access road from Wilmington Avenue that provides entry to the hospital grounds.

The site is rectangular and approximately 450' long east to west and 160' wide south to north. The site is approximately 1.5 acres in size (approximately 73,654 SF) and has a cross slope of approximately 1.5% from the southwest corner to the northwest corner. Roads separate the site from its surrounds at its south, east, and north boundaries. To the west a one-story auditorium pavilion structure sits between the site and the taller existing hospital structure. With the exception of the hospital structure, buildings in the area are typically one, two, and three stories tall. A neighborhood retail center is located approximately 800 feet north of the site along and across Wilmington Avenue. In general the communities to the east and south of the site are residential in character.

REVIEW OF SITE SURVEY

URBAN STUDIO reviewed a topographic and boundary map of the site provided by Los Angeles County and prepared by Cornerstone Land Surveying Co. and dated July 29, 2009. This survey indicates no easements or other conditions that would constrain development of the site. If a project is to move forward on this site the existing conditions should be reanalyzed to ensure that no easements or utilities conflict with development objectives.

REVIEW OF REPORTS

URBAN STUDIO reviewed the following reports provided by Los Angeles County.

- 4/28/10 County of Los Angeles Department of Public Works Geotechnical and Materials Engineering Division Soils Engineering Review Sheet
- 6/10/09 URS Corporation Report: Limited Environmental Subsurface Investigation, Proposed MACC Building and ED/Ancillary Building Martin Luther King, Jr. Multi-service Ambulatory Care Center
- 4/30/04 URS Corporation Letter Report: Limited Subsurface Assessment Martin Luther King Jr. Drew Medical Center Expansion
- 4/7/04 URS Corporation Supplemental Letter: Updated Geotechnical Investigation SB 1953 Seismic Retrofit Pro
- 2/17/04 URS Corporation Summary of review Environmental Reports for Martin Luther King Jr./Drew Medical Center
- 6/6/02 URS Corporation Report: Updated Geotechnical Investigation SB 1953 Seismic Retrofit Program

A review of these documents indicates the following:

- The southeast corner of the hospital site, Parking Lot A, has never been included nor reviewed in any of the geotechnical and soils reports provided.
- Existing reports indicate that significant fill is encountered on the site as a whole. Additionally, existing reports indicate that while no concentrations of hazardous materials are typically encountered on the site in the vicinity of the existing buildings, additional testing should be done as exact locations of excavations are determined.
- Per the above, both a geotechnical and a soils reports as well as a Phase I and as appropriate Phase II environmental hazard report should be completed for the parking lot area before a project for this site moves forward to determine design criteria and mitigation measures, if any.

Per the existing reports, URBAN STUDIO assumed that a project could be built on the subject site and for the purposes of conceptual design only that, 1) significant fill will need to be removed from the parking lot area above and beyond what is normally encountered in projects of this type, 2) a significant amount of certified compacted fill will need to be provided to allow for the use of spread footings, 3) this additional excavation and fill needs to be considered in the cost model developed for the study, and 4) no hazardous materials will be encountered at the site nor need to be mitigated.

Notwithstanding the above four findings, a full due diligence of soil and site conditions should be conducted before proceeding with an actual project.

Review of Existing Zoning and Capacity Analysis

The site is zoned C-2. County of Los Angeles zoning limits residential development in C-2 sites to single family residences and duplexes. The site is bordered on its east side by R-3 zoning. On its south side, across the service road from the site, a small portion bordering Wilmington Avenue is zoned R-3 with the remainder running east to west zoned R-1.

Given the generally low-scale intensity of surrounding residential uses, after discussion with the consultant team, and given that the C-2 zone is not supportive of multi-family housing uses, the consultant team determined that the R-3 zone should be utilized. This zone allows a maximum of 30 dwelling units per acre. Given the site size of 71,654 SF, 51 dwelling units could be placed on the site assuming the zoning was changed. This intensity of residential use would be compatible with and equivalent to the densest surrounding residential intensities of use. While denser housing types could

be physically realized on the site, since no precedent for this type of density is present within the study area and its surrounds, and the site is more than 1500' from the Imperial/Wilmington stop of the Metro Green Line, the R-3 density was utilized.

Further analysis of housing types in relationship to density indicated that in general 51 dwelling units could be achieved on the site with Type VB construction. Increases in density above this likely require the introduction of Type IA construction to address on-site parking requirements and needs. This in turn increases costs per dwelling unit. Based upon this logic, an attached housing townhouse type scheme was assumed both in terms of design and cost.

CONCEPT DESIGN

Per the above findings, URBAN STUDIO developed a concept design utilizing attached townhouse typologies. The concept design, as illustrated in Attachment A, consists of six "bars" of one, two and three bedroom townhouses opening onto landscaped mews oriented south to north. A total of 51 dwelling units, the maximum allowed by R-3 zoning, are provided with this configuration. In general units utilize a fifteen-foot wide footprint and vary in depth from 42 feet to 50 feet, depending upon the number of bedrooms provided. The mix of units is as follows:

Unit Mix	DUs	%	AVG. SF	
1 BR DUs Provided	6	12%	900	LSF
2 BR DUs Provided	24	47%	1200	LSF
3 BR DUs Provided	21	41%	1600	LSF

The design as a whole is oriented towards the site road to the south, thereby creating a separate residential identity for the complex. Vehicle and parking courts are accessed from the site road while units are accessible from sidewalks at both the site road and Wilmington Avenue. Thus, each unit has a front entry oriented towards pedestrian uses and a rear entry oriented towards vehicle needs. The common landscaped mews are typically 30' in width allowing each unit to have a semi-private entry court or yard serving as a transition between the more public sidewalk and the individual units. A larger south-facing common green adjoins the site road and allows for the inclusion of a tot lot and site amenities.

Two-car garages for each unit incorporate mechanical scissors lifts. Use of the scissors lift technology provides access to two cars, eliminates the "tandem" bottleneck on a unit-by-unit basis, and reduces the amount of area devoted to parking. Analysis indicates that the cost of the garage with the lift is equivalent to building a standard one-car garage. Utilizing the lift, the consequent reduction of garage floor area allows for an increase in unit yield on the site as a whole. Guest parking is assumed to be provided curbside and within the adjacent hospital grounds and facilities. While further reductions in parking below code requirements could be considered as a means of saving construction costs, they were not utilized given the generally low-density surrounds which are auto-dependent, the target market which is professional and semi-professional, and the walking distance to the Metro Green Line, a little more than 1/2 mile.

Units typically have a flexible room at the first level that can be utilized as either a bedroom or office, and living areas and a second bedroom at the second level. Third levels, when present, incorporate the third bedroom and open onto an outdoor roof terrace. Standard foundations, double wall construction between units, stick construction, average design quality, and extensive landscaping are assumed.

OPINION OF PROBABLE COST

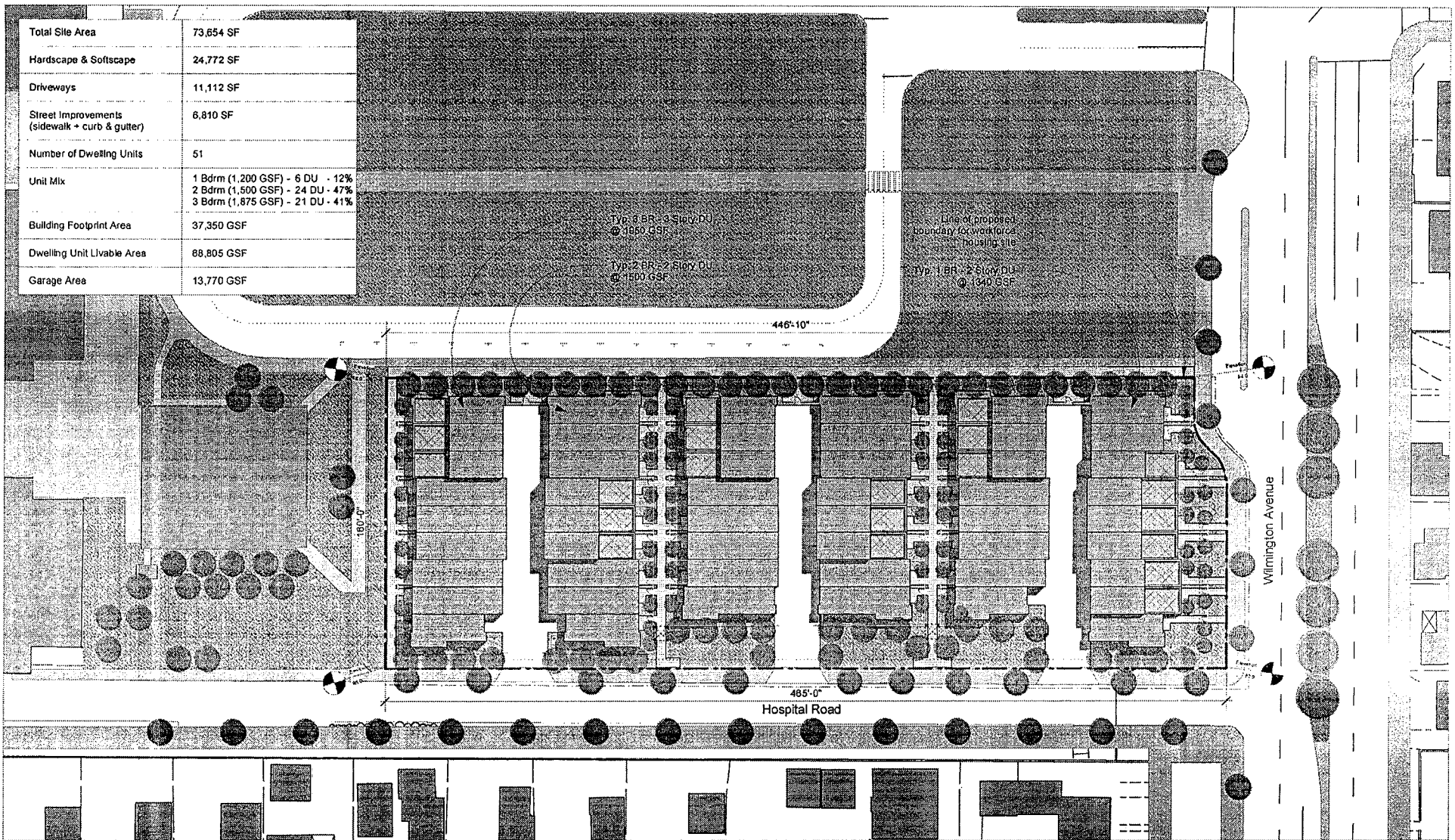
Based upon the concept design for the Willowbrook MLK/MACC site, URBAN STUDIO developed opinion of probable costs (see attached). For a "probable case", base costs for construction were referenced from the 2010 edition of R.S. Means Square Foot Costs. Per Means, a modest location multiplier for Inglewood, California was incorporated into costs. Additionally use of prevailing wages was factored into costs. The following premiums were also ascribed to this cost model:

1. A premium to over-excavate and compact the site per the geotechnology reports provided by the County
2. A premium for above average landscaping and site work.

Based upon comments received from County staff, a second "best case" opinion of cost was developed for the Willowbrook MLK/MACC site. This cost utilized information received directly from merchant builders completing multi-family townhouse projects in the region. Costs were obtained through discussions with developers and the least base cost for construction that was provided was utilized to develop a best-case cost scenario. This cost was approximately 37% less than that obtained utilizing published figures. Reasons for the large disparity between published figures and figures obtained anecdotally may include:

1. Use of shared-wall versus double-wall construction
2. Use of flat roofs versus pitched roofs
3. Use of in-house construction management versus contractors, i.e. elimination of contractor overhead and profit from pricing model
4. Utilization of design-build methodologies versus design-bid-build methodologies
5. Insensitivity of published cost models to aggressive pricing of projects by contractors related to downturn in construction industry economy
6. Use of non-prevailing and/or non-living wage construction crews

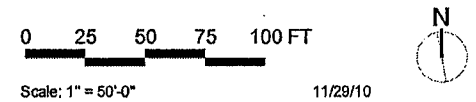
Assuming all or some of the above criteria were factored into the probable case cost model developed for this project, costs could be assumed to be lower than those seen in published guides such as R.S. Means. To represent the disparity between published base costs and costs obtained anecdotally for the Willowbrook MLK/MACC site, costs for this report are presented as a range with the least cost basis described as "Best Case" and the published cost basis described as "Probable Case".



Attachment A: Martin Luther King Hospital Site

LOS ANGELES COUNTY WORKFORCE HOUSING STUDY

Attachment C



11/29/10
URBAN STUDIO
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**Los Angeles County Workforce Housing Study
Martin Luther King Hospital Site
Preliminary Opinion of Cost**

URBAN STUDIO

ASSUMPTIONS

Program		Workforce housing	
Site Area	73,654	GSF	
Existing Zoning	C-2	SFD & duplex only allowed	
Adjacent Zoning	R3	to east across Wilmington Avenue	
Zoning Designation Equivalent	R3		
DU/Acre/Zoning Equivalent	30	DU/acre	
Site Area After Dedication	73,654	GSF; assume no site dedications	
Maximum DU allowed/zoning analysis	51		
Dwelling Units Provided	51	assumes no bonus units	
1 BR DUs Provided	6	12%	930 LSF
2 BR DUs Provided	24	47%	1230 LSF
3 BR DUs Provided	21	41%	1605 LSF
Average DU Size	1349	2 & 3 story configuration reduces efficiency	
Parking Provided/DU	2	per DU	
Parking Provided Total	102		
Parking Lifts Provided	51		
Garage Area	270	per DU	
Cost/Parking Lift	\$ 7,500	installed	
Guest Parking Provided	N.A.	utilize shared offsite parking at hospital	
Construction Type	VB		
Building Footprint Total	37,350	GSF	
Dwelling LSF	68,805	SF	
Garage Area	13,770	SF	
Hardscape & Softscape	24,772	SF	
Driveways	11,112	SF	
Off-site Improvements	6,810	sidewalk, curb, & gutter only	

OPINION OF COSTS - PROBABLE CASE

	SF	\$/SF	DU \$s
Dwelling Area	68,805	\$ 99.21	\$ 6,826,123
Garage Area	13,770	\$ 65.48	\$ 901,637
Garage Lifts	51	\$ 7,500.00	\$ 382,500
Site Hardscape & Softscape	24,772	\$ 10.00	\$ 247,720
Site Driveways	11,112	\$ 5.00	\$ 55,560
Off-site Improvements	6,810	\$ 5.00	\$ 34,050
Base Construction Cost			\$ 8,447,590
Location Factor			1.01
Base Cost w/Location Factor			\$ 8,532,066
Prevailing Wage Contingency	of base cost	20%	\$ 1,706,413
Construction Contingency ¹	of base cost	7.5%	\$ 639,905
GC (O & P) & A & E (%)	of base cost	20%	\$ 1,706,413
Project Construction Cost Inclusive of Contractor & A & E			\$ 12,584,797
Construction Cost/DU			\$ 213,302 without prevailing wage
Construction Cost/DU			\$ 246,761 with prevailing wage

1 Construction contingency includes premium for additional site work related to overexcavation

**Los Angeles County Workforce Housing Study
Martin Luther King Hospital Site
Preliminary Opinion of Cost**

URBAN STUDIO

OPINION OF COSTS - BEST CASE¹

	GSF	\$/SF	DU \$s
Dwelling Area ²	82,575	\$ 62.50	\$ 5,160,938
Garage Lifts	51	\$ 7,500.00	\$ 382,500
Off-site Improvements	6,810	\$ 5.00	\$ 34,050
Base Construction Cost			\$ 5,577,488
Prevailing Wage Contingency	of base cost	20%	\$ 1,115,498
Construction Contingency	of base cost	7.5%	\$ 418,312
GC (O & P) & A & E (%)	of base cost	20%	\$ 1,115,498
Project Construction Cost Inclusive of Contractor & A & E			\$ 8,226,794
Construction Cost/DU			\$ 139,437 without prevailing wage
Construction Cost/DU			\$ 162,181 with prevailing wage

- 1 Base cost per alternative developer source; w/flat roof, shared wall, no prevailing wage, & by merchant builder w/ economies of scale
- 2 Base cost = all-in construction cost including site work
- 3 Construction contingency includes premium for additional site work related to overexcavation

**Los Angeles County Workforce Housing Study
Martin Luther King Hospital Site
Preliminary Opinion of Cost**

URBAN STUDIO

COST ASSUMPTIONS ABOVE-GRADE

	DUs	SF	GSF	
Average	6	930	5,580	1-BR
Unit	24	1230	29,520	2-BR
Size	21	1605	33,705	3-BR
	51	1,349	68,805	

	AVG
Total GSF	68,805

	Best Case \$/SF	Notes	Probable Case \$/SF	Notes
Base Cost	\$ 62.50	1	\$ 127.55	2
Attached Unit Delta		N.A.	0.925	3; attached unit delta
Base Cost w/Delta		N.A.	117.98	
Additional Bath		N.A.	\$ 8.40	3; + additional bath
Separate Heating & AC		N.A.	\$ 1.04	3; + separate HVAC
Separate Electric		N.A.	\$ 1.42	3; + separate electric
Base Cost w/ GC		N.A.	\$ 128.84	3
Base Cost Less GC & A & E	\$ 62.50	N.A.	\$ 99.21	
Garage Area		N.A.	\$ 65.48	allowance
Car Lift		N.A.	\$ 7,500.00	per lift
Location Factor		N.A.	1.01	Inglewood/R.S. Means

Notes

- 1** base cost per alternative developer source; w/flat roof, shared wall, no prevailing wage, & by merchant builder w/ economies of scale
- 2** based upon R.S. Means for Custom Residential Construction (2011, p. 42)
- 3** per R.S. Means



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LOS ANGELES COUNTY EMPLOYER-ASSISTED WORKFORCE HOUSING

Feasibility Analysis of Workforce Ownership Housing for Middle-Income Los Angeles County Employees December 2010

Prepared for Allan D. Kotin & Associates

Introduction

The County of Los Angeles ("County") retained Allan D. Kotin & Associates and its subcontractors, READI, LLC, and URBAN STUDIO ("Consultant") to evaluate the feasibility of developing employer-assisted housing on County-owned land on two sites in the 2nd Supervisorial District:

- a) A 1.7-acre site on the MLK/MACC campus in Willowbrook at the southwest corner of S. Wilmington Blvd and 120th Street ("Willowbrook"); and
- b) A 2.8-acre site on the Athens Sheriff Station campus in Athens at the southeast corner of W. Imperial Highway and Normandie Ave ("Athens").

Specifically, the County assignment was to study the sites to determine their suitability for production of affordable, unsubsidized, middle-income ownership housing on a County ground lease with homeowners as ground lessees. An implicit program element was that the County will not need to provide direct financial support for development of the project.

Preference will be given to County employees whose family income exceeds 80% of the Los Angeles County Area Median Income (AMI) and, thus, are not eligible for subsidized housing.



1. Willowbrook Site

a. Illustrative Financial Feasibility Analysis

The Project	<p>A conceptual 51-unit for-sale townhome project on a 1.7-acre parcel on the campus of the MLK/MACC in Willowbrook, at the SWC of S. Wilmington Ave. & 120th St.</p> <p>The project concept is for an employer-assisted, market-quality workforce housing priced competitively with market rate units. It will be targeted to Los Angeles County employees – primarily employees of the Dept. of Health Services – who work in close proximity to the site.</p> <p>Units will be sold subject to a ground-lease between homeowners as ground lessees and the County – through a special purpose entity (SPE) – as ground lessor.</p>												
Land Owner / Sponsor Objectives	<p>The project, on County-owned land, is intended to accomplish several objectives, including:</p> <ul style="list-style-type: none">• Provide unsubsidized, market-quality, workforce housing to middle-income¹ County employees priced competitively with market rate units• Reduce commuting times and costs for valuable employees• Use such affordable housing as a recruitment and retention tool• Generate supplemental income to the County from ground leasing of otherwise underutilized and currently non-productive County assets												
Summary of Financial Projections for "Base Case"²	<table><tr><td>Gross sales revenues from initial sales round:</td><td>\$ 18.9 mil.</td></tr><tr><td>Net cash flow from initial project development³</td><td>\$ <1.2> mil.</td></tr><tr><td>30-year⁴ transfer fees and shared appreciation from resales</td><td>\$ 6.8 mil.</td></tr><tr><td>30-year cash flow from property management</td><td>\$ <3.7> mil.</td></tr><tr><td>30-year LA Co. / SPE 30-year cash flow and residual land value</td><td>\$ 1.8 mil.</td></tr><tr><td>Net present value at 6%</td><td>\$ 0.0 mil.</td></tr></table>	Gross sales revenues from initial sales round:	\$ 18.9 mil.	Net cash flow from initial project development ³	\$ <1.2> mil.	30-year ⁴ transfer fees and shared appreciation from resales	\$ 6.8 mil.	30-year cash flow from property management	\$ <3.7> mil.	30-year LA Co. / SPE 30-year cash flow and residual land value	\$ 1.8 mil.	Net present value at 6%	\$ 0.0 mil.
Gross sales revenues from initial sales round:	\$ 18.9 mil.												
Net cash flow from initial project development ³	\$ <1.2> mil.												
30-year ⁴ transfer fees and shared appreciation from resales	\$ 6.8 mil.												
30-year cash flow from property management	\$ <3.7> mil.												
30-year LA Co. / SPE 30-year cash flow and residual land value	\$ 1.8 mil.												
Net present value at 6%	\$ 0.0 mil.												

¹ "Middle Income" in this context is a family income at a range of 100%-150% of the AMI which makes such families ineligible for subsidized "low-mod" housing

² For a more complete set of illustrative financial projections including sensitivity analysis please refer to the summary of projections below and to the "Supplemental Information & Calculation Details" attachment

³ This value is slightly different than the bottom line of the "static proforma," below, because it is based on non-static cash flow projections

⁴ A 30-year projection period was used for illustration. The project will continue to generate income for LA County / SPE beyond that point



Property:	<p>Partially improved 1.7-acre parcel on the campus of the MLK/MACC in Willowbrook, at the SWC of S. Wilmington Ave. & 120th St.</p> <p>Current Zoning: C-2. Intended Zoning: R-3 ⁵</p>
Conceptual Land Disposition	<ul style="list-style-type: none">• The County will convey the parcel to or enter into a long-term master ground lease with a Special Purpose Entity (SPE) acting as a conduit / agent between the County and the project• The SPE will enter into sub-ground leases with homeowners• Qualified County employees will have first priority to buy a unit in the project. When that demand is satisfied, lower-priority buyers will be allowed to buy units, e.g., first responders, teachers and, as the last priority, the general public. This structure typically exempts a project from fair housing regulations against perceived preferential treatment to particular groups.
Conceptual Business Model	<ul style="list-style-type: none">• The project concept calls for 51 for-sale, middle-income workforce housing townhouse units, with average living area of 1,349 sq. ft. at an average price ("Base Case") of \$306,000, or \$227 per living area sq. ft.• Eligible homeowners own their units without fee title to the land under a ground sublease• Units are priced to recover development costs for a housing product built to market rate specifications and quality• Homeowners' sales prices at the end of their tenure are restricted to the price they paid indexed to the CPI, plus assessed value of installed capital improvements.• Departing homeowners and buyers of resale units pay transfer fees to the SPE• Under a shared appreciation mechanism, the departing homeowners gain a nominal share of appreciation of the unit, with appreciation defined as the difference between the computed sales price for departing homeowners and the sales price paid by incoming owners.• The SPE then re-prices the unit for resale at still-lower than market price. The difference between the sales price from the new homeowner and the sales price to the departing homeowner (less the shared appreciation described above) is passed through to the County as a capitalized ground lease payment.⁶

⁵ Please refer to Attachment B: "Los Angeles County Willowbrook (MLK/MACC) Site Workforce Housing Study Concept Design & Opinion of Probable Cost."

⁶ In an alternative ground lease structure homeowners pay nominal monthly ground lease payments



Capital Structure	<ul style="list-style-type: none">• Land: Site contribution or conveyance by master ground lease to [non-profit] Special Purpose Entity (SPE)• Equity: Assuming the ability to obtain a subordinated predevelopment loan, no equity will be required• Debt: Total debt facility (single or multiple lenders) to provide development and construction debt:<ul style="list-style-type: none">○ Borrower: SPE, with credit enhancement – if needed – from third party as project cost○ Development and construction loan – secured by subordinated ground lease and completion guarantee from construction manager (CM) at-risk○ Takeout first mortgage loans to individual homeowners to be provided by an affiliate of the interim / construction loan lender or third-party mortgage lenders.⁷
Economic Assumptions	Economic assumptions are discussed below and are further displayed in pp. 6-10 of the detailed supplemental information attachment

⁷ FNMA and CALHFA have issued approvals for underwriting first mortgage loans on for-sale units on ground leases



LOS ANGELES COUNTY EMPLOYER-ASSISTED WORKFORCE HOUSING
FEASIBILITY ANALYSIS REPORT

1/18/2011

Static Proforma

READI, LLC - LA County Employer-Assisted Workforce Housing Project - Willowbrook (MLK) site: Static Proforma								
	For-Sale - Townhouses - Prototype			Total Project	%	Wghtd Avg. Per Unit	Wghtd Avg. Per LSF	
Land Area SF (Gross)				73,654				
Prototype	TH	TH	TH					
Configuration	1BR / 1.5BA	2BR / 2BA	3BR / 2.5BA					
Unit Sq. Ft. (LSF)	930	1,230	1,605	68,805		1,349		
Units / Yield	6	24	21	51				
Unit Mix	12%	47%	41%					
Parking	1.50	2.00	2.00					
Garage Area SF	270	270	270	13,770				
Parking Lifts	1	1	1					
REVENUES								
SALES PRICE TO HOMEOWNER								
Base Sales Price (including parking)	\$270,000	\$295,000	\$330,000	\$15,630,000	88.9%	\$306,471	\$227	
+/- Sensitivity Adjustment Variable	0.0%	\$270,000	\$295,000	\$330,000	\$15,630,000	88.9%	\$306,471	\$227
Avg. Lot Premiums - % of Sales Price	2.5%	6,750	7,375	8,250	390,750	2.2%	7,662	6
Avg. Buyer Option Sales - % of Sales price	10.0%	27,000	29,500	33,000	1,563,000	8.9%	30,647	23
GROSS SALES PRICE TO HOMEOWNER	\$303,750	\$331,875	\$371,250	\$17,583,750	100.0%	\$344,779	\$256	
Gross Sales Price / Avg. SF	\$327	\$270	\$231					
COSTS								
PRE-DEVELOPMENT COSTS	\$250,000	4,902	4,902	4,902	250,000	1.4%	4,902	4
Predevelopment Cycle - Mos.	20							
DEVELOPMENT & CONSTRUCTION COSTS								
Land Development								
Hardscape & Softscape Area	\$10.00	4,857	4,857	4,857	247,720	1.4%	4,857	4
Driveways	\$5.00	1,089	1,089	1,089	55,560	0.3%	1,089	1
Sidewalks, Curb & Gutter	\$5.00	668	668	668	34,050	0.2%	668	0
Recreation - other					0	0.0%	0	0
Subtotal Land Development		6,614	6,614	6,614	337,330	1.9%	6,614	5
Direct Construction Base Cost								
(Direct construction base per SF, excl. option directs)		\$ 99.21	\$ 99.21	\$ 99.21				\$99.21
+/- Sensitivity Adjustment Variable	0.0%	\$ 99.21	\$ 99.21	\$ 99.21				\$99.21
Construction Cycle - Mos.	14							
Direct Construction Base Cost		92,265	122,028	159,232	6,826,123	38.8%	133,846	99
Parking: Garage Area	\$ 65.48	17,679	17,679	17,679	901,637	5.1%	17,679	13
Parking: Garage Lifts	\$ 7,500	7,500	7,500	7,500	382,500	2.2%	7,500	6
Subtotal Direct Construction		117,444	147,207	184,411	8,110,260	46.1%	159,025	118
SUBTOTAL HARD COSTS								
[RS Means] Location Factor	1.01	124,058	153,821	191,025	8,447,590	48.0%	165,639	123
		1,241	1,538	1,910	84,476	0.5%	1,656	1
TOTAL HARD COSTS		125,299	155,360	192,935	8,532,066	48.5%	167,295	124
PREVAILING WAGE ADJUSTMENT	20.0%	25,060	31,072	38,587	1,706,413	9.7%	33,459	25
Hard cost contingency	7.5%	9,397	11,652	14,470	639,905	3.6%	12,547	9
General Contractor O&P	20.0%	25,060	31,072	38,587	1,706,413	9.7%	33,459	25
A&E	5.0%	6,265	7,768	9,647	426,603	2.4%	8,365	6
TOTAL DEVELOPMENT & CONSTRUCTION COSTS		191,081	236,923	294,226	13,011,401	74.0%	255,126	189
OTHER PROJECT COSTS								
Homebuyer Options Costs	55.0%	14,850	16,225	18,150	859,650	4.9%	16,856	12
Permits & Fees								
Misc. Permits & Fees		10,000	10,000	10,000	510,000	2.9%	10,000	7
Subtotal Permits & Fees		10,000	10,000	10,000	510,000	2.9%	10,000	7
Marketing & Sales (% of Sales Price)								
Model Capitalized Costs	1.0%	2,768	3,024	3,383	160,208	0.9%	3,141	2
Marketing Expense - monthly budget	\$10,000	1,036	1,132	1,267	60,000	0.3%	1,176	1
Sales Commission	1.0%	2,768	3,024	3,383	160,208	0.9%	3,141	2
Seller's Closing Costs	0.50%	1,384	1,512	1,691	80,104	0.5%	1,571	1
HOA Subsidy (% of Sales Price)	0.05%	138	151	169	8,010	0.0%	157	0
Subtotal Marketing & Sales		8,094	8,843	9,892	468,529	2.7%	9,187	7
Insurance, Repair & Maintenance (% of SP)	1.0%	2,768	3,024	3,383	160,208	0.9%	3,141	2
G&A Overhead - monthly budget	\$50,000	18,138	19,818	22,169	1,050,000	6.0%	20,588	15
Financing								
Imputed interest	6.0%	8,744	10,491	12,695	570,843	3.2%	11,193	8
Loan Points & Legal	1.5%	3,879	4,653	5,631	253,209	1.4%	4,965	4
TOTAL PROJECT COSTS		262,455	314,879	381,048	17,133,839	97.4%	335,958	249
Total Project Cost / Avg. SF		\$282	\$256	\$237				
Nominal Developer Fee & Profit (% of Sales)	10.0%	30,375	33,188	37,125	1,758,375	10.0%	34,478	26
Nominal Residual [Raw] Land Value		\$10,920	(\$16,191)	(\$46,923)	(\$1,308,464)	-7.4%	(\$25,656)	(\$19)
(1) For sensitivity illustration, residual land value could be brought to "break-even" of \$0 if, for example:								
(a) Sales prices are raised by \$28,000 (9%)								
(b) Vertical construction costs are reduced by \$-12/SF (-12%)								
(c) If prevailing wage premium is waived residual land value becomes positive.								



LOS ANGELES COUNTY EMPLOYER-ASSISTED WORKFORCE HOUSING
FEASIBILITY ANALYSIS REPORT

1/18/2011

Summary of Base Projections and Sensitivity Runs

Willowbrook Site: Summary of Illustrative Financial Projections for the County Special Purpose Entity (SPE) as Land Owner																																		
Site:	1.7 acres / 73,654 Land SF																																	
Yield / Product Type:	51 townhomes																																	
Units Size Range (Living Area):	930 - 1,605 SF																																	
Assumed Post-Recovery Sales Price Range (2010 \$'s):	\$270,000 - \$330,000 (base price of \$227 / SF)																																	
Projected Unit Closings for this run:	Dec. 2013 - Jan. 2014 (Illustrative time line subject to general economic recovery)																																	
		<table><tr><th colspan="4">Sensitivity Analysis</th></tr><tr><th></th><th>Optimistic Case:</th><th>Vertical</th><th>Construction Cost</th><th>Impact of</th></tr><tr><th></th><th>Sales Prices Set</th><th>Set for Break-</th><th>Set for Break-</th><th>Waiving</th></tr><tr><th></th><th>for Break-Even</th><th>Even</th><th>Even</th><th>Prevailing Wage</th></tr><tr><th>Analytical Base</th><th>Development</th><th>Development</th><th>Development</th><th>on Development</th></tr><tr><th>Case</th><th>Cash Flow</th><th>Cash Flow</th><th>Cash Flow</th><th>Cash Flow</th></tr></table>				Sensitivity Analysis					Optimistic Case:	Vertical	Construction Cost	Impact of		Sales Prices Set	Set for Break-	Set for Break-	Waiving		for Break-Even	Even	Even	Prevailing Wage	Analytical Base	Development	Development	Development	on Development	Case	Cash Flow	Cash Flow	Cash Flow	Cash Flow
Sensitivity Analysis																																		
	Optimistic Case:	Vertical	Construction Cost	Impact of																														
	Sales Prices Set	Set for Break-	Set for Break-	Waiving																														
	for Break-Even	Even	Even	Prevailing Wage																														
Analytical Base	Development	Development	Development	on Development																														
Case	Cash Flow	Cash Flow	Cash Flow	Cash Flow																														
<u>Independent variables</u>																																		
Base Sales Price / SF w/out options & premiums (2010 \$'s)	\$227	\$248	\$227	\$227																														
Base SP w/out options & premiums (2010 \$'s) Wghtd Avg. (rounded)	\$306,000	\$334,000	\$306,000	\$306,000																														
Increase to Base Sales Price	\$0 0%	\$28,000 9%	\$0 0%	\$0 0%																														
Base Vertical Construction Cost per SF	\$99	\$99	\$87	\$99																														
Potential Decrease to Vertical Construction Cost / SF	\$0 0%	\$0 0%	\$-12 -12%	\$0 0%																														
Prevailing Wage Add-On	\$1.8 mil.	\$1.8 mil.	\$1.6 mil.	\$0.0 mil.																														
<u>Dependent variables</u>																																		
Financial Projections (adjusted for expected long term inflation/appreciation)																																		
Gross Sales Revenue from Initial Sales Round	\$18.9 mil.	\$20.6 mil.	\$18.9 mil.	\$18.9 mil.																														
Net Cash Flow from Initial Project Development	\$-1.2 mil.	\$0.2 mil.	\$0.2 mil.	\$0.7 mil.																														
Transfer Fees and Shared Appreciation from Resales (*)	6.8 mil.	7.4 mil.	6.8 mil.	6.8 mil.																														
Net Cash Flow from Property Management (*)	-3.7 mil.	-3.9 mil.	-3.7 mil.	-3.7 mil.																														
LA Co. / SPE 30-year cash flow & residual land value (*)	\$1.8 mil.	\$3.8 mil.	\$3.2 mil.	\$3.7 mil.																														
\$ per land SF	\$1.06	\$2.25	\$1.89	\$2.19																														
Net Present Value @ 6.0%	\$0.0 mil.	\$1.2 mil.	\$1.0 mil.	\$1.5 mil.																														
\$ per land SF	\$0.00	\$0.71	\$0.59	\$0.89																														

b. Projected sales prices

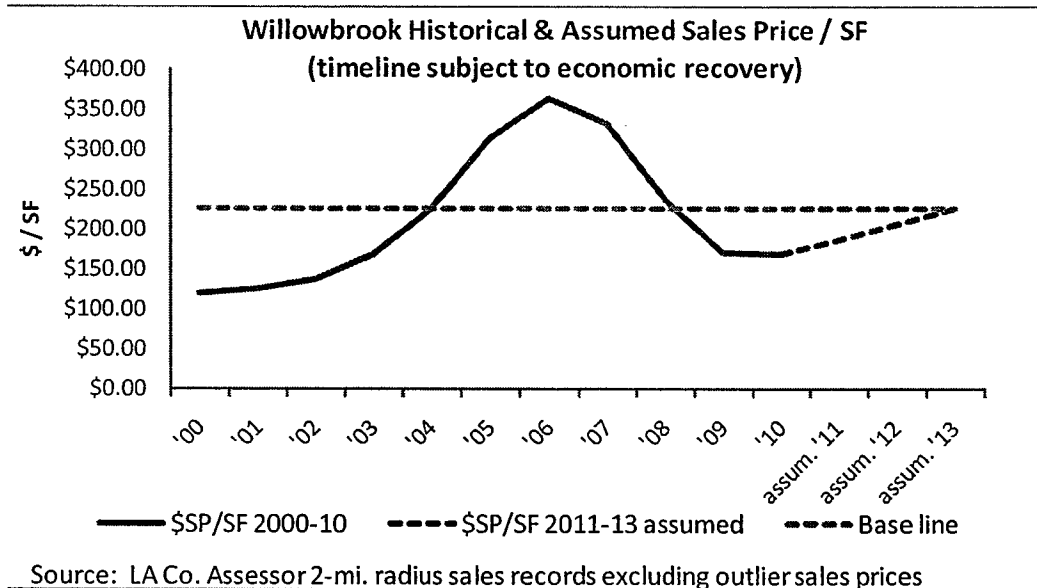
As indicated earlier, the projected sales prices are predicated on cost recovery, or "replacement cost." The conceptual project that has been analyzed by Consultant indicates a feasible project from zoning and physical points of view. Housing values progression since the beginning of the recession and general market conditions as of the end of 2010 are poorly suited as predictive indicators for future price levels. There is no current consensus about the direction of the Southern California economy and housing markets. For the sake of illustrating the case for this project, however, Consultant opted to assume – but not to forecast – that a recovery will begin in 2011.

In this context, if implementation – consisting of a RFQ/RFP process by the County, planning and design, entitlements and construction – begins in early 2011 this project will be available for occupancy in late 2013 or early 2014. It is unlikely that prices will return to their lofty 2006 level by then. A more reasonable surrogate for likely price levels when this project reaches market would be prices prevailing during 2004. As



shown on the table and chart below, this would represent an increase of 35% from average prices at the end of 2010.

To establish a nominal pricing benchmark, Consultant evaluated recorded residential sales data from First American Title within a 2-3 miles radius from the site. Since the neighborhoods, surrounding areas and product types will likely be different when this project comes to market, a "comps" analysis would not be relevant. Instead, blended sales data for single family, attached TH, and stacked-flats were tabulated to get a general indication of residential sales value per square foot. The following chart and table summarize the data.



Year	# Sales	Avg. Unit Size	Avg. SP / SF		Avg. SP \$'s	
2000	200	1,215	\$120.45		\$135,445	
2001	199	1,195	\$125.47	4%	\$141,977	5%
2002	233	1,168	\$137.97	10%	\$153,745	8%
2003	308	1,154	\$168.32	22%	\$184,306	20%
2004	308	1,171	\$226.96	35%	\$249,592	35%
2005	216	1,088	\$314.51	39%	\$313,332	26%
2006	63	957	\$364.19	16%	\$324,663	4%
2007	56	1,081	\$332.54	-9%	\$329,420	1%
2008	125	1,043	\$238.28	-28%	\$240,252	-27%
2009	303	1,158	\$170.24	-29%	\$187,350	-22%
2010	283	1,182	\$168.28	-1%	\$189,755	1%
2011 assumed subj. to econ. recovery			\$185.92	10%		
2012 assumed subj. to econ. recovery			\$205.42	10%		
2013 assumed subj. to econ. recovery			\$226.96	10%		
total 2000-2010		2,294	1,128			
Assumed growth rate 2011-2013 subj. to econ. Recovery				10%		
Increase of assumed 2013 price/sf over 2010 prices/sf				35%		

Data Filters

1. Historical sales in assessor map books within 2.5-3 mile radius from project site
2. Excluded sales w.out sales price information and sales >\$100k and <\$375K
3. Higher values around the Athens site vs. the Willowbrook site have been influenced by proximity to Inglewood, Hawthorne and Gardena

With this information an analytical base price per square foot for this illustrative analysis of the Willowbrook site was set at \$227, for a whole dollar average base sales price of \$306,000. Together with options and homebuyers unit premiums the whole dollar average price in 2010 dollars would be \$345,000 for an average sized unit of 1,329 sq. ft. Using a rule-of thumb of 4:1 multiplier of price over income, a household income of approximately \$85,000 would qualify for this purchase.

At this sales price level the base line projections indicate that the development cycle – unrelated to subsequent ground lease income – will generate a shortfall of about \$1 million.

A sensitivity analysis seeking the price level at which the development cycle would be at “break even” indicates that the sales price will have to be raised by 9%, to an “optimistic” level of \$376,000, requiring a qualifying household income of \$94,000.

The continuing impact of the recession, including uncertainty relating to the timing and level of an eventual recovery should reinforce the understanding that these projections are illustrative and not definitive. At the same time, there are circumstances that could justify optimism about real estate values in the site area improving faster than the general economy.

- Area-wide:

- The West Imperial Highway “corridor” near the site has and is expected to continue to benefit from significant and disproportionate public investment in economic development projects, infrastructure and public safety improvements.
- This investment, as it takes place, will contribute to local job growth further increasing housing demand and amplifying the coming housing shortfall.
- The MLK Medical Center will go through a revitalization cycle with the first phase already under way representing an investment of \$345 million
- To the north of the site two major housing projects – Jordan Downs and Nickerson Gardens – have just been approved as redevelopment project areas with aggressive investment and regeneration plans

For these reasons a critical mass may emerge which may cause real estate values inside the corridor to rise faster and remain higher than values at its periphery.

Project-specific

- Added value components include: The ability to live within walking distance of the place of work; Increased disposable income from discontinued commuting costs, lower auto insurance premiums, and higher mortgage qualification ratio (if desired)
- Living in a unit with market quality amenities, in a safer environment

Properly marketed, these benefits will likely overcome a perception of diminished value stemming from accepting a ground lease instead of fee title to one's unit, and accepting the limitation on appreciation upon sale. In that case, these factors may then contribute to improved pricing.

Development Costs Considerations

As discussed in Attachments B and C – "Concept Design & Opinion of Probable Cost Report," the cost estimates were prepared using published industry standard sources. These standards were applied to a concept study, the primary purpose of which was to generate a yield analysis and to demonstrate general zoning and physical feasibility, with product details remaining in concept stage. When specific detailed design is undertaken, cost estimates – particularly for vertical construction – can be fine tuned in departure from the formal generic conceptual costs. That, in addition to other factors affecting costs, e.g., utilizing a design-build approach by the potential winner of the County RFQ/RFP for the project.

The working premise of Consultant was that the County may proceed with an RFQ/RFP process to produce a project along the lines examined herein by private sector developer / merchant builder, probably acting as their own general contractor for this project.

Utilizing the same approach used in the pricing analysis, Consultant isolated the "vertical" cost estimate as the variable where there is inconsistency between the "formal" cost estimate – based on published cost manuals – and anecdotal data gained in conversations with merchant builders / developers. A sensitivity analysis seeking the vertical cost level at which the development cycle would be at "break even" indicates that the vertical cost will have to be optimistically reduced by 12% from \$99/sq.ft. to \$87/sq.ft. while holding the base case sales prices steady. Whether such a targeted cost level is achievable will become apparent during the RFQ/RFP process.

2. Athens Site

a. Financial Feasibility Analysis

The Project	<p>A conceptual 82-unit for-sale stacked flats project on a 2.75-acre parcel contiguous to the new Sheriff Station and Probation Department in Athens, at the SEC of W. Imperial Highway & Normandie Ave.</p> <p>The project concept is for an employer-assisted, market-quality workforce housing priced competitively with market rate units. It will be targeted to Los Angeles County employees – primarily employees of the Dept. of Health Services – who work in close proximity to the site.</p> <p>Units will be sold subject to a ground-lease between homeowners as ground lessees and the County – through a special purpose entity (SPE) – as ground lessor.</p>												
Land Owner / Sponsor Objectives	<p>The project, on County-owned land, is intended to accomplish several objectives, including:</p> <ul style="list-style-type: none"> • Provide unsubsidized, market-quality, workforce housing to middle-income⁸ County employees priced competitively with market rate units • Reduce commuting times and costs for valuable employees • Use such affordable housing as a recruitment and retention tool • Generate supplemental income to the County from ground leasing of otherwise underutilized and currently non-productive County assets 												
Summary of Financial Projections for "Base Case"⁹	<table> <tr> <td>Gross sales revenues from initial sales round:</td><td>\$ 25.3 mil.</td></tr> <tr> <td>Net cash flow from initial project development¹⁰</td><td>\$ <2.8> mil.</td></tr> <tr> <td>30-year¹¹ transfer fees and shared appreciation from resales</td><td>\$ 8.8 mil.</td></tr> <tr> <td>30-year cash flow from property management</td><td>\$ <2.8> mil.</td></tr> <tr> <td>30-year LA County/SPE 30-yr cash flow and residual land value</td><td>\$ 4.0 mil.</td></tr> <tr> <td>Net present value at 6%</td><td>\$ 0.3 mil.</td></tr> </table>	Gross sales revenues from initial sales round:	\$ 25.3 mil.	Net cash flow from initial project development ¹⁰	\$ <2.8> mil.	30-year ¹¹ transfer fees and shared appreciation from resales	\$ 8.8 mil.	30-year cash flow from property management	\$ <2.8> mil.	30-year LA County/SPE 30-yr cash flow and residual land value	\$ 4.0 mil.	Net present value at 6%	\$ 0.3 mil.
Gross sales revenues from initial sales round:	\$ 25.3 mil.												
Net cash flow from initial project development ¹⁰	\$ <2.8> mil.												
30-year ¹¹ transfer fees and shared appreciation from resales	\$ 8.8 mil.												
30-year cash flow from property management	\$ <2.8> mil.												
30-year LA County/SPE 30-yr cash flow and residual land value	\$ 4.0 mil.												
Net present value at 6%	\$ 0.3 mil.												

⁸ "Middle Income" in this context is a family income at a range of 100%-150% of the AMI which makes such families ineligible for subsidized "low-mod" housing

⁹ For a more complete set of illustrative financial projections including sensitivity analysis please refer to the summary of projections below and to the "Supplemental Information & Calculation Details" attachment

¹⁰ This value is slightly different than the bottom line of the "static proforma," below, because it is based on non-static cash flow projections

¹¹ A 30-year projection period was used for illustration. The project will continue to generate income for LA County / SPE beyond that point

Property:	<p>Partially improved 2.8-acre parcel on the campus of the new Sheriff Station in Athens, at the SEC of W. Imperial Highway & Normandie Ave.</p> <p>Current Zoning: C-2. Intended Zoning: R-3 ¹²</p>
Conceptual Land Disposition	<ul style="list-style-type: none"> • The County will convey the parcel to or enter into a long-term master ground lease with a Special Purpose Entity (SPE) acting as a conduit / agent between the County and the project • The SPE will enter into sub-ground leases with homeowners • Qualified County employees will have first priority to buy a unit in the project. When that demand is satisfied, lower-priority buyers will be allowed to buy units, e.g., first responders, teachers and, as the last priority, the general public. This structure typically exempts a project from fair housing regulations against perceived preferential treatment to particular groups.
Conceptual Business Model	<ul style="list-style-type: none"> • The project concept calls for 82 for-sale, middle-income workforce housing stacked-flat units, with average living area of 1,036 sq. ft. at an average price ("Operative Base Case") of \$278,000, or \$269 per living area sq. ft. • Eligible homeowners own their units without fee title to the land under a ground sublease • Units are priced to recover development costs for a housing product built to market rate specifications and quality • Homeowners' sales prices at the end of their tenure are restricted to the price they paid indexed to the CPI, plus assessed value of installed capital improvements. • Departing homeowners and buyers of resale units pay transfer fees to the SPE • Under a shared appreciation mechanism, the departing homeowners gain a nominal share of appreciation of the unit, with appreciation defined as the difference between the computed sales price for departing homeowners and the sales price paid by incoming owners. • The SPE then re-prices the unit for resale at still-lower than market price. The difference between the sales price from the new homeowner and the sales price to the departing homeowner (less the shared appreciation described above) is passed through to the County as a capitalized ground lease payment.¹³

¹² Please refer to Attachment C: "Los Angeles County Athens Site Workforce Housing Study Concept Design & Opinion of Probable Cost."

¹³ In an alternative ground lease structure homeowners pay nominal monthly ground lease payments



Capital Structure	<ul style="list-style-type: none">• Land: Site contribution or conveyance by master ground lease to [non-profit] Special Purpose Entity (SPE)• Equity: Assuming the ability to obtain a subordinated predevelopment loan, no equity will be required• Debt: Total debt facility (single or multiple lenders) to provide development and construction debt:<ul style="list-style-type: none">○ Borrower: SPE, with credit enhancement – if needed – from third party as project cost○ Development and construction loan – secured by subordinated ground lease and completion guarantee from construction manager (CM) at risk○ Takeout first mortgage loans to individual homeowners to be provided by an affiliate of the interim / construction loan lender or third-party mortgage lenders.¹⁴
Economic Assumptions	Economic assumptions are discussed below and are further displayed in pp. 6-10 of the detailed supplemental information attachment

¹⁴ FNMA and CALHFA have issued approvals for underwriting first mortgage loans on for-sale units on ground leases



LOS ANGELES COUNTY EMPLOYER-ASSISTED WORKFORCE HOUSING
FEASIBILITY ANALYSIS REPORT

1/18/2011

Static Proforma

READI, LLC - LA County Employer-Assisted Workforce Housing Project - Athens site: Static Proforma								
	For-Sale Condos - Stacked Flat Prototype			Total Project	%	Wgtd Avg. Per Unit	Wgtd Avg. Per LSF	
Land Area SF (Gross)				120,120				
Prototype	Stck'd Flat	Stck'd Flat	Stck'd Flat					
Configuration	1BR / 1.5BA	2BR / 2BA	3BR / 2.5BA					
Unit Sq. Ft. (LSF)	910	1,000	1,200	84,970		1,036		
Units / Yield	27	28	27	82				
Unit Mix	33%	34%	33%					
Parking	1.50	2.00	2.00					
Garage Area SF (allocated, incl. guest parking)	598	598	598	49,075				
REVENUES								
SALES PRICE TO HOMEOWNER								
Base Sales Price (including parking)	\$234,000	\$240,000	\$280,000	\$20,598,000	88.9%	\$251,195	\$242	
+/- Sensitivity Adjustment Variable	0.0%	\$234,000	\$240,000	\$280,000	\$20,598,000	88.9%	\$251,195	\$242
Avg. Lot Premiums - % of Sales Price	2.5%	5,850	6,000	7,000	514,950	2.2%	6,280	6
Avg. Buyer Option Sales - % of Sales price	10.0%	23,400	24,000	28,000	2,059,800	8.9%	25,120	24
GROSS SALES PRICE TO HOMEOWNER	\$263,250	\$270,000	\$315,000	\$23,172,750	100.0%	\$282,595	\$273	
Gross Sales Price / Avg. SF	\$289	\$270	\$263					
COSTS								
PRE-DEVELOPMENT COSTS	\$250,000	3,049	3,049	3,049	250,000	1.1%	3,049	3
Predevelopment Cycle - Mos.	20							
DEVELOPMENT & CONSTRUCTION COSTS								
Land Development								
Hardscape & Softscape Area	\$10.00	7,470	7,470	7,470	612,550	2.6%	7,470	7
Driveways	\$5.00	998	998	998	81,825	0.4%	998	1
Sidewalks, Curb & Gutter	\$5.00	213	213	213	17,500	0.1%	213	0
Recreation - other					0	0.0%	0	0
Subtotal Land Development		8,681	8,681	8,681	711,875	3.1%	8,681	8
Direct Construction Base Cost								
(Direct construction base per SF., excl. option directs)		\$ 96.88	\$ 96.88	\$ 96.88				\$96.88
+/- Sensitivity Adjustment Variable	0.0%	\$ 96.88	\$ 96.88	\$ 96.88				\$96.88
Construction Cycle - Mos.	18							
Direct Construction Base Cost		88,164	96,884	116,260	8,232,212	35.5%	100,393	97
Parking: Garage Area	\$ 47.28	28,299	28,299	28,299	2,320,483	10.0%	28,299	27
Subtotal Direct Construction		116,463	125,182	144,559	10,552,695	45.5%	128,691	124
SUBTOTAL HARD COSTS		125,144	133,864	153,240	11,264,570	48.6%	137,373	133
[RS Means] Location Factor	1.01	1,251	1,339	1,532	112,646	0.5%	1,374	1
TOTAL HARD COSTS		126,396	135,202	154,773	11,377,216	49.1%	138,747	134
PREVAILING WAGE ADJUSTMENT	20.0%	25,279	27,040	30,955	2,275,443	9.8%	27,749	27
Hard Cost Contingency	7.5%	9,480	10,140	11,608	853,291	3.7%	10,406	10
General Contractor O&P	20.0%	25,279	27,040	30,955	2,275,443	9.8%	27,749	27
A&E	5%	6,320	6,760	7,739	568,861	2.5%	6,937	7
TOTAL DEVELOPMENT & CONSTRUCTION COSTS		192,753	206,184	236,029	17,350,254	74.9%	211,588	204
OTHER PROJECT COSTS								
Homebuyer Options Costs	55.0%	12,870	13,200	15,400	1,132,890	4.9%	13,816	13
Permits & Fees								
Misc. Permits & Fees		10,000	10,000	10,000	820,000	3.5%	10,000	10
Subtotal Permits & Fees		10,000	10,000	10,000	820,000	3.5%	10,000	10
Marketing & Sales (% of Sales Price)								
Model Capitalized Costs	1.0%	2,399	2,460	2,870	211,130	0.9%	2,575	2
Marketing Expense - monthly budget	\$10,000	909	932	1,087	80,000	0.3%	976	1
Sales Commission	1.0%	2,399	2,460	2,870	211,130	0.9%	2,575	2
Seller's Closing Costs	0.50%	1,199	1,230	1,435	105,565	0.5%	1,287	1
HOA Subsidy (% of Sales Price)	0.05%	120	123	144	10,556	0.0%	129	0
Subtotal Marketing & Sales		7,025	7,205	8,406	618,380	2.7%	7,541	7
Insurance, Repair & Maintenance (% of SP)	1.0%	2,399	2,460	2,870	211,130	0.9%	2,575	2
G&A Overhead - monthly budget	\$50,000	13,632	13,982	16,312	1,200,000	5.2%	14,634	14
Financing								
Imputed interest	6.0%	10,878	11,524	13,143	971,219	4.2%	11,844	11
Loan Points & Legal	1.5%	3,789	4,014	4,578	338,308	1.5%	4,126	4
TOTAL PROJECT COSTS		256,395	271,617	309,787	22,892,181	98.8%	279,173	269
Total Project Cost / Avg. SF		\$282	\$272	\$258				
Nominal Developer Fee & Profit (% of Sales)	10.0%	26,325	27,000	31,500	2,317,275	10.0%	28,259	27
Nominal Residual [Raw] Land Value (1)		(\$19,470)	(\$28,617)	(\$26,287)	(\$2,036,706)	-8.8%	(\$24,838)	(\$24)
(1) For sensitivity illustration, residual land value could be brought to "break-even" of \$0 if, for example:								
(a) Sales prices are raised by \$27,000 (11%)								
(b) Vertical construction costs are reduced by \$-15/SF (-15%)								
(c) If prevailing wage premium is waived residual land value becomes positive.								



LOS ANGELES COUNTY EMPLOYER-ASSISTED WORKFORCE HOUSING
FEASIBILITY ANALYSIS REPORT

1/18/2011

Summary of Base Projections and Sensitivity Runs

Athens Site: Summary of Illustrative Financial Projections for the County Special Purpose Entity (SPE) as Land Owner

Site: 2.8 acres / 120,120 Land SF
Yield / Product Type: 82 stacked-flat condos
Units Size Range (Living Area): 910 - 1,200 SF
Assumed Post-Recovery Sales Price Range (2010 \$'s): \$234,000 - \$280,000 (base price of \$242 / SF)
Projected Unit Closings for this run: Apr. 2014 - Jun. 2014 (Illustrative time line subject to general economic recovery)

	Analytical Base Case	Sensitivity Analysis			
		Optimistic Case: Sales Prices Set for Break-Even Development Cash Flow	Optimistic Case: Vertical Construction Cost Set for Break-Even Development Cash Flow		Impact of Waiving Prevailing Wage on Development Cash Flow
<u>Independent variables</u>					
Base Sales Price / SF w/out options & premiums (2010 \$'s)	\$242	\$269	\$242		\$242
Base SP w/out options & premiums (2010 \$'s) Wgtd Avg. (rounded)	\$251,000	\$278,000	\$251,000		\$251,000
Increase to Base Sales Price	\$0 0%	\$27,000 11%	\$0 0%		\$0 0%
Base Vertical Construction Cost per SF	\$97	\$97	\$82		\$97
Potential Decrease to Vertical Construction Cost / SF	\$0 0%	\$0 0%	\$-15 -15%		\$0 0%
Prevailing Wage Add-On	\$2.4 mil.	\$2.4 mil.	\$2.1 mil.		\$0.0 mil.
<u>Dependent variables</u>					
Financial Projections (adjusted for expected long term inflation/appreciation)					
Gross Sales Revenue from Initial Sales Round	\$25.3 mil.	\$28.1 mil.	\$25.3 mil.		\$25.3 mil.
Net Cash Flow from Initial Project Development	\$-2.1 mil.	\$0.2 mil.	\$0.1 mil.		\$0.5 mil.
Transfer Fees and Shared Appreciation from Resales (*)	8.8 mil.	9.8 mil.	8.8 mil.		8.8 mil.
Net Cash Flow from Property Management (*)	-2.8 mil.	-2.9 mil.	-2.8 mil.		-2.8 mil.
LA Co. / SPE 30-year cash flow & residual land value (*)	\$4.0 mil.	\$7.0 mil.	\$6.2 mil.		\$6.6 mil.
\$ per land SF	\$1.45	\$2.54	\$2.25		\$2.39
Net Present Value @ 6.0%	\$0.3 mil.	\$2.3 mil.	\$2.0 mil.		\$2.3 mil.
\$ per land SF	\$0.11	\$0.83	\$0.73		\$0.83

b. Projected sales prices

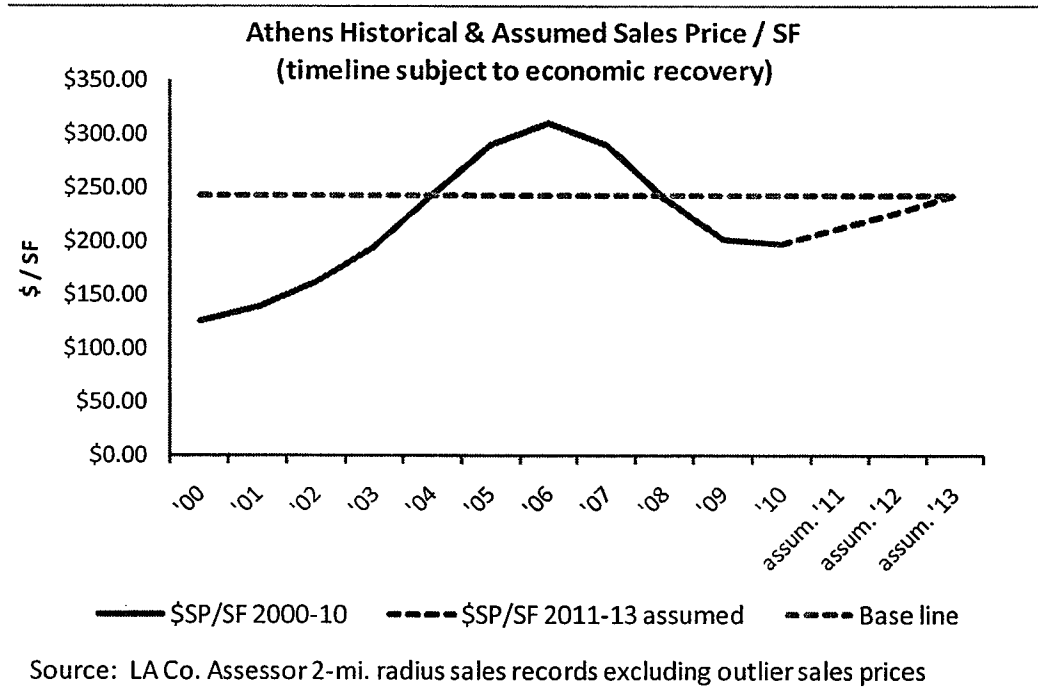
As indicated earlier, the projected sales prices are predicated on cost recovery, or "replacement cost." The conceptual project that has been analyzed by Consultant indicates a feasible project from zoning and physical points of view. Housing values progression since the beginning of the recession and general market conditions as of the end of 2010 are poorly suited as predictive indicators for future price levels. There is no current consensus about the direction of the Southern California economy and housing markets. For the sake of illustrating the case for this project, however, Consultant opted to assume – but not to forecast – that a recovery will begin in 2011.

In this context, if implementation – consisting of a RFQ/RFP process by the County, planning and design, entitlements and construction – begins in early 2011 this project will be available for occupancy in late 2013 or early 2014. It is unlikely that prices will return to their lofty 2006 level by then. A more reasonable surrogate for likely price



levels when this project reaches market would be prices prevailing during 2004. As shown on the table and chart below, this would represent an increase of 22% from average prices at the end of 2010.

To establish a nominal pricing benchmark, Consultant evaluated recorded residential sales data from First American Title within a 2-3 miles radius from the site. Since the neighborhoods, surrounding areas and product types will likely be different when this project comes to market, a "comps" analysis would not be relevant. Instead, blended sales data for single family, attached TH, and stacked-flats were tabulated to get a general indication of residential sales value per square foot. The following chart and table summarize the data.



recording yr	all sales	avg size	avg. sp/sf		avg. sp \$'s	
2000	310	1,388	\$125.04		\$165,809	
2001	359	1,372	\$139.49	12%	\$183,166	10%
2002	358	1,368	\$162.07	16%	\$211,580	16%
2003	391	1,314	\$194.19	20%	\$245,245	16%
2004	305	1,250	\$242.21	25%	\$285,472	16%
2005	154	1,142	\$289.03	19%	\$313,582	10%
2006	61	1,153	\$310.22	7%	\$338,697	8%
2007	41	1,163	\$289.96	-7%	\$313,598	-7%
2008	169	1,255	\$239.88	-17%	\$290,698	-7%
2009	371	1,309	\$201.54	-16%	\$257,208	-12%
2010	300	1,304	\$197.95	-2%	\$248,232	-3%
2011 assumed subj. to econ. recovery			\$211.72	7%		
2012 assumed subj. to econ. recovery			\$226.45	7%		
2013 assumed subj. to econ. recovery			\$242.21	7%		
total 2000-2010	2,819	1,274				
Assumed growth rate 2011-2013 subj. to econ. Recovery				7%		
Increase of assumed 2013 price/sf over 2010 prices/sf				22%		

Data Filters

1. Historical sales in assessor map books within 2.5-3 mile radius from project site
2. Excluded sales w.out sales price information and sales >\$100k and <\$375K
3. Higher values around the Athens site vs. the Willowbrook site have been influenced by proximity to Inglewood, Hawthorne and Gardena

With this information an analytical base price per square foot for this illustrative analysis of the Athens site was set at \$242, for a whole dollar average base sales price of \$251,000. Together with options and homebuyers unit premiums the whole dollar average price in 2010 dollars would be \$283,000 for an average sized unit of 1,036 sq. ft. Using a rule-of thumb of 4:1 multiplier of price over income, a household income of approximately \$70,000 would qualify for this purchase.

At this sales price level the base line projections indicate that the development cycle – unrelated to subsequent ground lease income – will generate a shortfall of about \$2 million.

A sensitivity analysis seeking the price level at which the development cycle would be at “break even” indicates that the sales price will have to be raised by 11%, to an “optimistic” level of \$313,000, requiring a qualifying household income of \$77,000.

The continuing impact of the recession, including uncertainty relating to the timing and level of an eventual recovery should reinforce the understanding that these projections are illustrative and not definitive. At the same time, there are circumstances that could justify optimism about real estate values the site area improving faster than the general economy.

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- Area-wide:

- o The West Imperial Highway “corridor” near the site has and will continue to benefit from significant and disproportionate public investment in economic development projects, infrastructure and public safety improvements.
- o This investment, as it takes place, will contribute to local job growth further increasing housing demand and amplifying the coming housing shortfall.
- o The presence of the new Sheriff station contiguous to the site will enhance the perception of public safety.
- o The proximity of the higher-value communities of Inglewood, Hawthorne and Gardena.

For these reasons a critical mass may emerge which may cause real estate values inside the corridor to rise faster and remain higher than values at its periphery.

- Project-specific

- o Added value components include: The ability to live within walking distance of the place of work; Increased disposable income from discontinued

- commuting costs, lower auto insurance premiums, and higher mortgage qualification ratio (if desired)
- o Living in a unit with market quality amenities, in a safer environment

Properly marketed, these benefits will likely overcome a perception of diminished value stemming from accepting a ground lease instead of fee title to one's unit, and accepting the limitation on appreciation upon sale. In that case, these factors may then contribute to improved pricing.

Development Costs Considerations

As discussed in Attachments B and C – "Concept Design & Opinion of Probable Cost Report," the cost estimates were prepared using published industry standard sources. These standards were applied to a concept study, the primary purpose of which was to generate a yield analysis and to demonstrate general zoning and physical feasibility, with product details remaining in concept stage. When specific detailed design is undertaken, cost estimates – particularly for vertical construction – can be fine tuned in departure from the formal generic conceptual costs. That, in addition to other factors affecting costs, e.g., utilizing a design-build approach by the potential winner of the County RFQ/RFP for the project.

The working premise of Consultant was that the County may proceed with an RFQ/RFP process to produce a project along the lines examined herein by private sector developer / merchant builder, probably acting as their own general contractor for this project.

Utilizing the same approach used in the pricing analysis, Consultant isolated the "vertical" cost estimate as the variable where there is inconsistency between the "formal" cost estimate – based on published cost manuals – and anecdotal data gained in conversations with merchant builders / developers. A sensitivity analysis seeking the vertical cost level at which the development cycle would be at "break even" indicates that the vertical cost will have to be optimistically reduced by 15% from \$97/sq.ft. to \$82/sq.ft. while holding the base case sales prices steady. Whether such a targeted cost level is achievable will become apparent during the RFQ/RFP process.



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LOS ANGELES COUNTY EMPLOYER-ASSISTED WORKFORCE HOUSING

EMPLOYEE SURVEY REPORT

November 2010

Prepared for Allan D. Kotin & Associates

Executive Summary

The County of Los Angeles ("County") retained Allan D. Kotin & Associates and its subcontractors, READI, LLC, and URBAN STUDIO ("Consultant") to evaluate the feasibility of developing employer-assisted housing on County-owned land on two sites in the 2nd Supervisorial District:

- a) A 1.7-acre site on the MLK/MACC campus in Willowbrook, at the southwest corner of S. Wilmington Blvd and 120th Street ("Willowbrook"); and,
- b) A 2.8-acre site on the Athens Sheriff Station campus in Athens, at the southeast corner of W. Imperial Highway and Normandie Ave ("Athens").

The County has commissioned a feasibility study of the projects to determine their suitability for production of affordable, unsubsidized, middle-income housing. Preference will be given to eligible County employees whose family income exceeds 80% of the Los Angeles County Area Median Income (AMI) and, thus, are not eligible for subsidized housing.

As part of its feasibility evaluation, Consultant conducted an online employee survey which was open to approximately 1,200 County employees who work for the Department of Health Services at the Willowbrook site and 513 County employees who work for the Sheriff's Department at or near the Athens site. Management of the Probation Department opted out of asking their employees who work at or near the Athens site to participate in the Survey. County employees who work in the Departments of Regional Planning and Public Works at locations in the immediate vicinity of the respective sites were also invited to participate in the survey. Nine (9) participated. The survey was administered and tabulated during September-October 2010 by having the respective Departments' representatives solicit their employees to participate.

Thus, a total of approximately 1,700 employees ("Survey Pool") were invited to participate. Of those, a total of 214 employees responded ("All Respondents"), with a total of 80 employees stating their family incomes to be in excess of \$60,000¹ ("Target Respondents").

¹ The feasibility study focuses on producing for-sale housing for families who are not eligible for LIHTC projects.

	Willowbrook	Athens	Total
Survey Pool	1,200	513	1,713
All Respondents	137	87	214
	11%	17%	12%
Target Respondents	46	34	80

1. Key Findings

a. Affordability and inferential unit pricing

Using a rough rule of thumb that home prices should be roughly four-times-income, prices of the proposed units could be set as follows:

- i. Willowbrook site: With a median household income of \$80,000-90,000 among the Target Respondents, average unit price could nominally be set as high as \$340,000.
- ii. Athens site: With a median household income of \$90,000-100,000 among the Target Respondents, average unit price could nominally be set as high as \$380,000.

b. Preference for living near work

If housing costs were not an issue, the majority of participants in the survey indicated a preference for living near work.

c. Housing types

Given the choice between stacked-flats and attached townhouses, approximately half of the respondents indicated a preference for townhouses

d. Acceptability of home-ownership on a ground lease

The majority of respondents find the notion of home ownership on a ground lease unacceptable, with a minority stating that they need more information about the concept

e. Attitude towards constraints on ownership

Three hypothetical limitations on ownership would cause respondents "not to buy"

- i. An obligation to sell the unit within one year of leaving County employment
- ii. An obligation to sell the unit within five years of retirement from County employment

- iii. An obligation on heirs to sell the unit within 1 year upon death of the County employee
- f. Most important concerns when considering acquisition of a unit in the project
 - i. The ability to afford down payment and closing costs
 - ii. The ability to afford monthly housing costs
- g. Information regarding current residence:
 - i. With the exception of All Respondents to the Willowbrook survey, the majority of respondent are homeowners, not renters
 - ii. The median monthly housing cost for Target Respondents is \$1,750-2,000 for the Willowbrook respondents and \$2,000-2,250 for the Athens respondents
 - iii. The median length of employment is greater than six years, with the majority having been County employees for longer than 10 years
- h. Current commuting patterns
 - i. The majority of respondents – more than 84% - drive themselves to and from work
 - ii. Target respondents in the Willowbrook survey spend an average of \$54 per week for commuting, or \$2,500 per year². Target respondents in the Athens survey spend an average of \$74 per week for commuting, or \$3,400 per year.
 - iii. The median one-way commuting distance is 8-10 miles for both Willowbrook and Athens target respondents. The median commuting time for the Willowbrook target respondents is 20-30 minutes, and for the Athens target respondents it is 30-45 minutes.

² Based on 46 working weeks per year (net of holidays, weekends and vacations). Note that total car ownership cost could double this amount.

2. Summary of Survey Data

The following table summarizes salient responses ³.

	Willowbrook MLK/MACC Campus Survey pool = 1,200		Athens Sheriff Station Campus Survey pool = 513	
	<i>All respondents</i> = 137	<i>Target respondents</i> = 46	<i>All respondents</i> = 87	<i>Target respondents</i> = 34
Interested in program	107	45	71	34
Not interested	30	1	16	0
Total	137	46	87	34
Household income	78 responses: Median ± \$60-70k 41% < \$60k 59% > \$60k	Median ± \$80-90k 50% \$80-100k	49 responses: Median ± \$90-100k 31% < \$60k 69% > \$60k	Median ± \$90-100k 74% \$80-120k
Preference for living near work	96 responses: "Yes" = 87 (91%)	45 responses: "Yes" = 42 (93%)	62 responses: "Yes" = 56 (90%)	34 responses: "Yes" = 31 (91%)
Housing type preference for the new home:				
-Stacked Flat/Condo	20%	17%	24%	25%
-Attached TH	47%	49%	49%	54%
Median number of individuals in new home:				
-Adults	2	2	2	2
-Children <18	2	2	1	1
Acceptability of home ownership on a ground lease to reduce price				
-Yes	30%	24%	38%	44%
-No	50%	60%	45%	44%
-Don't understand concept well enough	20%	16%	17%	12%
"Will not buy" if the following conditions apply:				
-Must sell unit within 1 yr. if leaving Co. employment	58%	65%	33%	24%
-Must sell unit within 5 yrs. of retirement	63%	68%	37%	29%
-Upon death heirs must sell unit within 1 yr.	58%	59%	44%	38%

³ Respondents were allowed to skip questions



LOS ANGELES COUNTY EMPLOYER-ASSISTED WORKFORCE HOUSING
EMPLOYEE SURVEY REPORT

11/30/10

	Willowbrook MLK/MACC Campus Survey pool = 1,200		Athens Sheriff Station Campus Survey pool = 513	
	<i>All respondents</i> = 137	<i>Target respondents</i> = 46	<i>All respondents</i> = 87	<i>Target respondents</i> = 34
Most important concern about owning or renting: -Ability to afford down payment & closing costs -Ability to afford monthly costs	58% 29%	43% 23%	51% 38%	50% 35%
"Extremely desirable" housing assistance feature: -Buy market quality unit near work at below market price -Possibility of paying only a small down payment	58% 58%	61% 57%	56% 65%	56% 65%
Current residence occupancy type: -Own -Rent	46% 54%	57% 43%	52% 48%	61% 39%
Current residence median monthly housing costs	\$1,500-1,750	\$1,750-2,000	\$1,750-2,000	\$2,000-2,250
Median County employment length in years -In current location -In County employment	> 10 yrs. (56%) > 10 yrs. (85%)	> 10 yrs. (56%) > 10 yrs. (85%)	6-10 yrs. (22%) > 10 yrs. (87%)	6-10 yrs. (15%) > 10 yrs. (87%)
Current mode of commuting to work -Drive myself	83%	84%	96%	94%
Current average weekly commuting costs	\$49	\$54	\$66	\$74
Current median one-way commuting distance	8-10 mi.	8-10 mi.	8-10 mi.	8-10 mi.
Current median one-way commuting time	20-30 min.	20-30 min.	20-30 min.	30-45 min.